

STATE OF NEW JERSEY  
CASINO CONTROL COMMISSION

IN RE:

1) REHEARING OF PETITION NO. 281707 :  
OF RESORTS INTERNATIONAL, INC., RESORTS :  
INTERNATIONAL HOTEL, INC., RESORTS :  
INTERNATIONAL HOTEL FINANCING, INC., THE :  
TRUMP HOTEL CORPORATION AND DONALD J. :  
TRUMP FOR DECLARATORY RULINGS; :  
2) APPLICATION OF THE TRUMP HOTEL : VOLUME III  
CORPORATION FOR THE ISSUANCE OF A CASINO :  
LICENSE; :  
3) APPLICATION OF RESORTS INTERNATIONAL : MORNING  
HOTEL, INC. FOR RENEWAL OF ITS PLENARY : SESSION  
CASINO LICENSE AND ITS CASINO HOTEL :  
ALCOHOLIC BEVERAGE LICENSE (PRN 282701) :  
4) APPLICATIONS OF LECTROLARM CUSTOM :  
SERVICES, INC. AND INTERNATIONAL :  
INTELLIGENCE, INC. FOR RENEWAL OF THEIR :  
CASINO SERVICE INDUSTRY LICENSES; AND :  
5) PETITION OF RESORTS INTERNATIONAL :  
HOTEL, INC. AND RESORTS INTERNATIONAL, :  
INC. FOR WAIVER OF QUALIFICATION OF :  
SECURITY HOLDERS AND OF DEBENTURE HOLDERS :  
OF RESORTS INTERNATIONAL, INC. AND RESORTS :  
INTERNATIONAL FINANCING, INC. (PRN 303701):

Monday, February 8, 1988  
10:40 a.m.  
3131 Princeton Pike  
Public Meeting Room  
Building No. 5  
Lawrenceville, NJ 08648

B E F O R E:

WALTER N. READ, CHAIRMAN  
W. DAVID WATERS, VICE CHAIRMAN  
CARL ZEITZ, COMMISSIONER  
E. KENNETH BURDGE, COMMISSIONER  
VALERIE H. ARMSTRONG, COMMISSIONER

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PRESENT FOR THE CASINO CONTROL COMMISSION:

KAREN BIACHE, PRINCIPAL PROCEDURES ANALYST  
DARYL NANCE, PROCEDURES ANALYST

ON BEHALF OF THE COMMISSION STAFF:

JOHN R. ZIMMERMAN, DEPUTY DIRECTOR, LEGAL  
JOYOTI M. FLEMING, ASSISTANT COUNSEL

ON BEHALF OF THE DIVISION STAFF:

MICHAEL VUKCEVICH, DEPUTY ATTORNEY GENERAL  
MICHAEL ROMANO, SENIOR AGENT  
JEAN ESCARPETA, SENIOR AGENT

ON BEHALF OF PETITIONER RESORTS INTERNATIONAL, INC.

STERNS, HERBERT, WEINROTH & PETRINO, ESQS.,  
BY: JOEL H. STERNS, ESQ. and PAUL M. O'GARA, ESQ.,  
and  
JOHN M. DONNELLY, ESQ.

ON BEHALF OF TRUMP HOTEL CORPORATION

RIBIS, GRAHAM, VERDON & CURTIN, ESQS.,  
BY: NICHOLAS L. RIBIS, ESQ.

ON BEHALF OF TRUMP ORGANIZATION

HARVEY I. FREEMAN, ESQ. (NY Bar)

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I N D E X

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1 Trump - Direct by Ribis

2 CHAIRMAN READ: Good morning. If we  
3 could come to order. Note the presence of all five  
4 commissioners.

5 I guess we are due for another witness,  
6 Mr. Sterns, unless there is any housekeeping you  
7 should take care of first.

8 MR. STERNS: No, I don't know of any  
9 first.

10 Mr. Ribis will present the next  
11 witness.

12 CHAIRMAN READ: Fine.

13 MR. RIBIS: Donald Trump.

14  
15 D O N A L D J. T R U M P, having been first duly  
16 sworn, testified as follows:

17  
18 DIRECT EXAMINATION

19 BY MR. RIBIS:

20 Q Mr. Trump, you have testified before this  
21 Commission before. As you know, this the renewal  
22 hearing for Resorts International.

23 Could you bring the Commission up to  
24 date as to where the company is regarding the recent  
25 events in your tender offer and proposed merger

1 Trump - Direct by Ribis

2 agreement?

3 A Well, I think subject to a number of things,  
4 we probably have a deal. It's complicated on Wall  
5 Street and it's complicated in terms of the market,  
6 but it looks to me like we have a deal at \$22.00 a  
7 share for the A shares.

8 Q And, in general, when would you anticipate  
9 that the tender offer would be completed?

10 A Well, I would say maybe in excess of 20  
11 days, it could be 45 days, it could be longer, I don't  
12 know, but somewhere, hopefully, prior to 75 days.

13 Q There was a--speaking of 75 days, in the  
14 tender offer document, the merger agreement, there is  
15 reference to certain conditions, specifically as to  
16 the Atlantic City Housing Authority and this  
17 Commission and CAFRA.

18 Could you just generally outline for  
19 the Commission what your understanding and the purpose  
20 of those conditions are?

21 A Well, I think in terms of the Commission,  
22 that's pretty obvious. In terms of what we need,  
23 obviously, the approval of the Commission. In terms  
24 of the Housing Authority, we have--we need an estoppel  
25 certificate, obviously, in order to get financing for

1 Trump - Direct by Ribis  
2 the Taj Mahal.

3 We need a--some form of letter from the  
4 Housing Authority relative to the possible expiration  
5 date or expiration date of the land deal, and that I  
6 think people are generally satisfied with, and we will  
7 have to know that the agreement that was signed in one  
8 form or another is basically acceptable.

9 Q Now, dealing with the events prior to the  
10 formal \$22.00 tender offer, back in December, as you  
11 know, the Commission approved a Comprehensive Services  
12 Agreement on December 16th. Thereafter, on December  
13 21st, you announced your initial attempt to tender at  
14 \$15.00 a share.

15 Could you just discuss for a minute the  
16 attempts during the period of time of the hearings as  
17 to the Comprehensive Services Agreement, what you  
18 found out regarding Resorts and the ability to obtain  
19 financing for the Taj Mahal?

20 A What period was this?

21 Q Starting in November, December of last year.

22 A Well, I think we all know it was a very  
23 difficult period after October 19th. We knew that  
24 when we came to the last hearings, in all fairness,  
25 but it certainly hadn't gotten any easier, and I was

1 Trump - Direct by Ribis  
2 finding that obtaining financing for the company, as  
3 the company and as a relatively small shareholder of  
4 the company, was a--was not only difficult, but even  
5 if it could have been obtained, it would have been at  
6 an interest rate which would have been prohibitive, in  
7 my opinion.

8 Q And what would that interest rate have been?

9 A I don't know. It would have been probably  
10 in excess of 16, and possibly 19 or 20 percent, and  
11 for any company--and, by the way, that's not a  
12 reflection of Resorts; that's a reflection of the bond  
13 market.

14 If you look at Southmark, which was a  
15 company that is a well-known company and a well-  
16 established company, I think they paid 19 percent  
17 interest and they gave away a big chunk of the  
18 company, I'm not even sure of that number now that I  
19 think of it, and another company gave up going  
20 public.

21 There were many, many companies, I  
22 think it was something like 21 different listings that  
23 were going public, and of the 21, 20 decided not to go  
24 forward, and there was a big turmoil after the October  
25 19th date, and I think it's maybe curing itself now,

1 Trump - Direct by Ribis

2 but it's still there, there's no question about it.

3 Q Aside from Bear, Stearns, you also had  
4 talked to Merrill Lynch and Drexel, Burnham regarding  
5 potential financing, didn't you?

6 A Yes.

7 Q And Drexel, Burnham, Mr. Lee participated  
8 initially and then they chose not to participate with  
9 you?

10 Q Well, it's more complicated than that. You  
11 also have personalities involved, you have Drexel, you  
12 have Bear, Stearns, do they want to do it together, do  
13 they not want to do it together. It's really a lot  
14 more complicated than the way you're portraying it.

15 But Merrill Lynch has a--because I know  
16 Harvey Freeman spoke with them directly, and so did I,  
17 but in a more indirect sense, I think, but Merrill  
18 Lynch was unable to do it, or unwilling to do it, and  
19 essentially what we started finding out during the  
20 course of events was that they wanted to have Trump  
21 behind it, they wanted Trump, they were relying on  
22 Trump, and I think they wanted Trump in two ways: they  
23 wanted Trump in terms of what I've done, but they  
24 wanted to see that I had a real equity stake in the  
25 company, and I didn't have very much of the company, I



1 Trump - Direct by Ribis

2 guess I had nine percent, and ultimately 11 percent,  
3 and they wanted to have Trump behind the company.

4 A lot of things happened. The  
5 Management Agreement was both a positive and a  
6 negative. The Management Agreement, after it was  
7 approved, was negative from the standpoint of selling  
8 bonds, because it took money out of the company, and  
9 it was positive because it kept Trump in the company.  
10 So I don't know which way it really worked in one  
11 sense. But I know that Mr. Jansen, Don Jansen, who is  
12 here today from the New York Times, wrote an article  
13 that was sort of inclined--I felt it was inclined to  
14 say that Trump may get out, it was during the  
15 hearings, that Trump may get out because the  
16 Management Agreement may not be approved by the  
17 Commission, and the stock went down very precipitously  
18 the next day after that article appeared.

19 You know, it really worked both ways,  
20 it was a very complicated thing, and I don't know how  
21 to describe it and I don't know how it worked, but I  
22 will tell you that the Management Agreement, from the  
23 standpoint of bonds and public perception and  
24 everything else, it had an effect, both perhaps  
25 positive and perhaps negative.

1 Trump - Direct by Ribis

2 Q Did you also during this period of time  
3 speak to banks regarding financing for Resorts and the  
4 Taj Mahal?

5 A Yes.

6 Q With any success, other than First Fidelity?

7 Q Well, First Fidelity has been fabulous, I  
8 have to tell you, I don't know if anybody is ever  
9 going to write about it or care about it, but they  
10 have been absolutely a great bank as far as this state  
11 is concerned. They came forward and they tried to  
12 raise \$250 million for the company without Trump,  
13 essentially. And when I say without Trump, I mean  
14 without Trump in the form of a major equity ownership,  
15 and they put up themselves \$125 million for this  
16 company, and they did it, according to the head man or  
17 one of the top people at the bank, they did it because  
18 of my involvement only, and they put up \$125 million,  
19 they made a commitment for \$125 million, \$75 million  
20 of which has already been lent and \$50 million of  
21 which is coming very shortly, and I think they are  
22 very happy with what's happened with respect to the  
23 stock purchase and I think they feel very secure now,  
24 you know, on the subject of going through, but they  
25 feel very, very secure now, and I just have to tell

1 Trump - Direct by Ribis

2 you that they have been a stalwart, they have been a  
3 very, very good and diligent bank and they have been  
4 very good to the company and I think very good to  
5 Atlantic City and to the State of New Jersey.

6 I know I'm putting in a plug for them,  
7 but they have been really great.

8 They went to Security Pacific, which is  
9 a big bank on the West Coast, and Security Pacific was  
10 not willing to go into the deal without the ownership  
11 position of Trump, and, you know, getting--I started  
12 to see that getting the financing without the  
13 ownership of the stock was very, very difficult and  
14 prohibitive in terms of cost.

15 For instance, I'm negotiating a loan  
16 right now for the Taj Mahal. Now, I don't have a  
17 deal, but I have very tremendous reception to the deal  
18 for the first time, and that's because I'm doing it  
19 and I'm negotiating a loan essentially at prime rate.  
20 So instead of paying--and it's from a major bank, it's  
21 essentially from one bank, a very big bank, and it's  
22 at prime rate, and I have banks coming at me on the  
23 basis that I own the stock from, you know--literally  
24 just coming at me asking me about doing this deal, and  
25 that's some far cry from what it was when Resorts was

1 Trump - Direct by Ribis  
2 really the so-called owner of the company.

3 So, I'm talking about a difference in  
4 interest rate of maybe 10 points, and, you know, if  
5 you're talking about 18 or 19 percent as Resorts and  
6 maybe eight and a half percent or nine percent as  
7 Trump, that's the difference between an extremely  
8 successful company and a company that's just working  
9 to pay interest.

10 So, you know, it's been a very  
11 interesting period, I will tell you that, and it's  
12 been a very difficult period as far as the whole  
13 transaction is concerned.

14 Q Is it fair to say that the very financing,  
15 the bank financing you're talking about now as being  
16 available was not available with Resorts ownership?

17 A Banks would have never loaned the money to  
18 Resorts as Resorts. They're loaning the money--I  
19 mean, they're loaning the money to me. They couldn't  
20 care less about Resorts, in my opinion. Maybe that's  
21 an over statement, but the banks are essentially doing  
22 it because I own the company.

23 Q Going back to December 21st, when you  
24 initially announced your tender offer, that was  
25 shortly after the Commission ruling.

1 Trump - Direct by Ribis

2 Did the financing information that you  
3 obtained over the course of the period before the  
4 ruling by the Commission on December 16th and other  
5 factors lead you to conclude that your privatization  
6 of the company was needed at that time?

7 A Well, I would say that it became more and  
8 more evident that obviously something was needed to  
9 get this company going, and, you know, again we were  
10 going for a management contract, and yet even if the  
11 contract were approved during the course of the  
12 hearings, and really toward the end of the hearings we  
13 were being sued by everybody on the management  
14 contract.

15 You know, this is stuff that I haven't  
16 really had to go through too much in terms of owning  
17 it privately. All of a sudden stockholders, some of  
18 whom owned three shares, were suing me on management  
19 contracts, they were suing for this, for that, you  
20 know, anything in which to sue for they were suing,  
21 and I must tell you, if you have your chance of having  
22 a private company or public company, a private company  
23 is a hell of a lot easier.

24 So things were happening that were  
25 rather I guess not surprising, because those people

1 Trump - Direct by Ribis  
2 that deal in the world of the public, they are saying,  
3 See, I told you, Donald, I told you, you know, it's--  
4 it is a different world. But, you know, you do  
5 anything, virtually, and you end up getting sued.  
6 Some lawyer comes from somewhere in order to make--  
7 whether it be in order to make a fee or whether for  
8 some other reason and you end up getting sued.

9 So, during the course of the latter  
10 part of the hearing especially, we had I think one  
11 suit filed, and I'm not sure of this exactly, we had  
12 one suit filed then, but we had a total of close to 19  
13 lawsuits, or something, filed during the course of  
14 these hearings, mostly toward the end.

15 So here I am, I'm in the position where  
16 I have a management contract and yet I could have  
17 worked for two years under this management contract, I  
18 could have done, you know, a great job and at the end  
19 of two years it's possible that some court someplace  
20 is going to say you're not entitled to any money for  
21 the services that you have rendered, and I was  
22 concerned about that, to be perfectly honest, because,  
23 again, who knows how the courts are going to rule.

24 You know, it just became evident that  
25 it was a very complex situation, and the stock had

1 Trump - Direct by Ribis

2 gone down very precipitously, and, you know, things  
3 came out in the hearings, frankly, that the stock--I  
4 mean, Wall Street watches these hearings very  
5 closely. Today you have the Times and the Wall Street  
6 Journal in the room and they watch these hearings and  
7 they see what goes on and they read about them and  
8 they judge by what's said at the hearings, to a large  
9 extent, as perhaps they should. But the stock went  
10 down precipitously. And while I wouldn't have been  
11 interested in the stock at 60, I was interested in the  
12 stock at the \$15.00 price, because, you know, frankly,  
13 it would have solved a lot of problems. But I was  
14 only interested in the stock if we got rid of all the  
15 lawsuits, because I didn't want to again buy the stock  
16 at 15 or 20 or 22 and still have lawsuits out there.

17 So my deal was contingent upon getting  
18 rid of all the lawsuits, and what we did is we got all  
19 the stockholders' lawyers in, we got this one in, we  
20 got the independents, and ultimately we worked out a  
21 deal at 22, and the nice part about the deal is that  
22 it cleans everything up, it just cleans out  
23 everything, I hope, I think, I don't know, but it  
24 cleans--it's really like a cleansing action, I think  
25 19 lawsuits, or something thereabout, disappear, there

1 Trump - Direct by Ribis  
2 is no or virtually no litigation left.

3 We can now focus on the company instead  
4 of--I had lawyers running around every day that  
5 received three or four lawsuits for something or  
6 another, and they were focusing so much on the  
7 lawsuits that they didn't have time to even focus on  
8 the company, and, frankly, it got ridiculous and I  
9 just thought it would be appropriate.

10 Now, I wouldn't have been interested at  
11 30 or 40 or 50 or 60. But when the stock got to a  
12 certain point, I think it was natural that I would  
13 think about it, to be perfectly honest.

14 Q Now, speaking of what we are going to be  
15 doing with your business plan for Resorts as a  
16 privately owned company in the future, could you just  
17 speak to the Taj Mahal construction--

18 A The key to Resorts--do you want to finish  
19 your question?

20 Q No. Go ahead, Donald.

21 A The key to Resorts is finishing and  
22 completing the Taj Mahal. Paradise Island is a very  
23 successful operation, it's a very popular place, it's,  
24 you know, it's doing well, it's doing consistently  
25 well, and I think it can do better, but it's a place



1 Trump - Direct by Ribis

2 which, I might add, has very little regulation, by  
3 comparison, but it's a place that is doing very well.

4 The key to Resorts, I have said it  
5 before and I'll say it again, this is not a gaming  
6 company for the next year, this is a building  
7 company. The key to Resorts is getting the Taj  
8 Mahal--and it's a building and finance company, but  
9 it's getting the Taj Mahal built and financed. And  
10 I've said it before, when it's done and when it's  
11 opened, and if it's as good as I think it's going to  
12 be, because we have really made a lot of changes in  
13 terms of even upgradings of design, we went through  
14 that the last time, with the marbles, and I think it's  
15 going to be an incredible building. I think it will  
16 really, in fact, be a Taj Mahal and I think will be a  
17 very, very successful building. The key is getting it  
18 done in a very high quality way. I think when it's  
19 completed, it's going to be very successful.

20 Q So is it fair to say that your immediate  
21 business plan for Resorts, which obviously the  
22 Commission and the Division are interested in, is the  
23 focus on the completion of the Taj Mahal--financing  
24 and completion of the Taj Mahal?

25 A That's correct, that's the whole key to the

1 Trump - Direct by Ribis  
2 company in a true sense. I guess the company can do  
3 without the Taj Mahal, but I think they have 300 some  
4 odd million dollars invested in it and it's there and  
5 it's beyond the 50 percent mark in terms of  
6 completion, and I think we are--you know, I've been  
7 working for the last number of months on getting  
8 things completed, getting plans, getting specs, which  
9 we never really had, getting things under control, and  
10 I think it's much more difficult than if I had to  
11 start this building from the beginning.

12 If we started from the beginning, I  
13 mean, you would have had a much--it would have been a  
14 much easier job. Coming in in the middle of  
15 construction is like doing a renovation, it's not like  
16 doing a new job, and I believe that it's really come a  
17 long way in the last number of months.

18 We have developed really tight and we  
19 are in the process of getting really tight plans and  
20 specs. We slowed down construction in the last number  
21 of months for two reasons, because of the financing  
22 question in terms of the company and also because it  
23 was crazy building and nobody even had complete plans  
24 and specs. I mean, you have contractors working on  
25 time and material, and you can imagine what they were

1 Trump - Direct by Ribis  
2 billing the company, and they didn't have complete  
3 plans and specifications. In my opinion, it was out  
4 of control. People can say it was wonderful. I  
5 thought it was out of control. I've never seen a job  
6 built like this before, and I think now it is under  
7 control.

8 I have had a number of meetings, large  
9 meeting with 40 and 50 people and with the management  
10 and with the contractors and with the subcontractors,  
11 and, in fact, we just had one last Wednesday. We have  
12 them every other week now, at two o'clock at Resorts  
13 International, and we have had some very good  
14 productive meetings, and the people that were laying  
15 down on the job and not doing the job, the designers,  
16 the structural--the mechanical designers, the  
17 electrical designers, those people are working very  
18 hard right now. Even though the work has been slowed  
19 down, they're working very hard to get the plans so  
20 that I can bid things out, so that I don't have to  
21 have to build on time and material. I don't want to  
22 build on time and material, because you cannot build  
23 on time and material, and that's essentially what this  
24 job was being built with, and I was just opposed to it  
25 from the beginning, and that's just ridiculous, so

1 Trump - Direct by Ribis

2 that's one of the problems they have had.

3 So I think I've got it in good shape  
4 now. I think within another month it will be in great  
5 shape, and I think the Taj--we're looking to really  
6 start very heavy construction on March 1st of the Taj,  
7 because I think by March 1st we're going to have very  
8 good plans and specs, we're going to have the  
9 restaurants designed.

10 I mean, as an example, we didn't have  
11 restaurants, for the most part. We didn't have suites  
12 on the top of the building. The big area for the  
13 suites, they weren't going to be built. You know, how  
14 can you open a building and not have the suites at the  
15 top? How can you open a building without the  
16 restaurants? How can you open a building that's  
17 designed for a 120,000-foot casino and yet they cut it  
18 down to 100,000 feet to save money?

19 Because it's now 120,000 feet, we had  
20 to add 56 different rooms, so we're building what we  
21 call now the Lanie Rooms, the Lanie Suites, they're  
22 going to be beautiful, but we had to add about 56  
23 rooms because they had 1200 rooms, or 1190 rooms, and  
24 you need 1250 in order to have 120,000 feet of space.

25 The problem was the casino was designed

1 Trump - Direct by Ribis  
2 beautifully at 120,000 feet and it was designed lousy  
3 at 100,000 feet, and it wasn't a good layout at  
4 100,000 because they just chopped off one side of it  
5 in order to save money, or whatever.

6 I mean, obviously, they planned on  
7 building 120,000, because it was designed for 120,000,  
8 and somewhere along the line they decided to build  
9 100,000, but it wasn't a good layout. It's a great  
10 layout at 120,000; it's a lousy layout at 100,000.

11 So all these things came into play, and  
12 now we have them all straightened out, I think, and I  
13 think we have really made a lot of progress over the  
14 last number of months in terms of plans,  
15 specifications, getting them complete, and it's just,  
16 you know, it's a tough--it's tougher than investing in  
17 Federated Department Stores, I will tell you that much  
18 right now.

19 Q Two final things, Mr. Trump.

20 Going back to the bank financing that  
21 you're now negotiating, there would be some  
22 guarantees, personal guarantees on your part to this  
23 financing; isn't that right?

24 A There would be something. It may be--I  
25 don't know exactly yet, but there would be something

1 Trump - Direct by Ribis  
2 that I would do that would be beyond what Resorts  
3 could do. I don't know what. I would keep it down to  
4 a minimum, obviously, but there would be something  
5 that I would do that would be beyond what Resorts  
6 could have done as the company.

7 Q Secondly, the last item, in a tender offer  
8 there is no condition as to financing; isn't that  
9 correct, Mr. Trump?

10 A Yes, that's correct.

11 Q And after assuming a successful tender offer  
12 with the acquisition of the A and B stock, you will  
13 have invested over \$220 million in the stock of  
14 Resorts International at that time; is that correct?

15 A About 220, right.

16 MR. RIBIS: I have no further  
17 questions. Thank you very much.

18 CHAIRMAN READ: Mr. Sterns.

19 MR. STERNS: No questions at this time.

20 CHAIRMAN READ: Mr. Vukceovich.

21 MR. VUKCEVICH: Thank you.

22 CROSS-EXAMINATION

23 BY MR. VUKCEVICH:

24 Q One of the things I noticed in reviewing the  
25 Comprehensive Services Agreement was that it reads in

1 Trump - Cross by Vukceovich  
2 terms of the execution date as of October 16th.

3 Was it actually signed on October 16th  
4 or was it signed at some other time?

5 A I really don't know.

6 Q Do you recall if it was signed after the  
7 19th?

8 A I'm sorry, I don't know, I really don't know  
9 when it was signed. I could find out, if you would  
10 like, if it's important, but I don't know.

11 Q Yes, I would appreciate if you could find  
12 out.

13 A All right, we will find out.

14 Q I'm going to show you what's been marked as  
15 D-9 and ask you some questions with regard to Exhibit  
16 A, which is the December 21st press release.

17 In terms of the second full paragraph  
18 of Exhibit A-2, Division Exhibit No. 9, the second  
19 full paragraph reads, "The combination of significant  
20 cost overruns incurred by prior management, together  
21 with the conditions of the financial markets since  
22 October 19th, have made it impossible to obtain  
23 financing for the Taj Mahal in the public markets on  
24 any basis that would be economic for the company."

25 The question I have in regard to that

1 Trump - Cross by Vukceovich

2 and, in particular, I'm referring to the phrase  
3 concerning the condition of the financial markets  
4 since October 19th, could you tell us exactly what  
5 happened since October 19th that relate to the  
6 inability to get financing, the specific consequences  
7 or ramifications?

8 A What happened on October 19th?

9 Q Since--between October 19th and the date of  
10 this press release.

11 A No, just continued to be bad, just continued  
12 to be very bad.

13 Q The financial marketplace?

14 A Absolutely. They continue to be bad today.  
15 By the way, they happen to be slightly better today,  
16 if you want to know the truth, but they continue to be  
17 bad today for the various financing that we are  
18 talking about.

19 Just to show you the difference, we had  
20 I believe filed, filed or very close to being filed  
21 with Bear, Stearns, an eight percent subordinated  
22 debenture, eight percent interest before October  
23 19th. We are going to be paying eight percent  
24 interest and giving the public the option to buy stock  
25 at a certain price, which I think also had been



1 Trump - Cross by Vukceovich

2 determined at something.

3 I mean, the public got very lucky when  
4 that didn't happen, because, frankly, I think the  
5 stock price, they had an option of about 70 or  
6 something, 60 or 70, and so they would have gotten  
7 eight percent interest and would have had the option  
8 to buy the stock at 70 prior to the crash, so the  
9 public got very lucky.

10 But, to be perfectly honest, you know,  
11 there's one deal and now you're talking about a  
12 totally different world out there.

13 Q When did you first come to the realization  
14 which is indicated in this press release that economic  
15 financing could not be obtained for the Taj Mahal?

16 A Well, I don't--I was getting more and more  
17 convinced the further I got into it, both as to how  
18 much money was necessary to complete the Taj Mahal and  
19 also--which was starting to get a little surprising to  
20 me, which I'm sure you're going to get into and which  
21 we'll discuss that in a little while, but also the  
22 rates, you know, people were talking about rates at 18  
23 percent, at 19 percent. You know, if they weren't  
24 very legitimate Wall Street terms, you would say it's  
25 shylock rates, and that's all it is.

1 Trump - Cross by Vukceovich

2 Who can pay 19 percent? I mean,  
3 General Motors can't pay 19 percent. Who can pay 19  
4 percent interest? And so it wasn't only a question of  
5 getting the money; it was a question of what's the  
6 purpose of getting money if you're going to break even  
7 or lose money for the next 20 years while you're  
8 paying this interest. You know, it didn't make a lot  
9 of sense to me, anyway.

10 The markets got very bad after October  
11 19th and they stayed bad, obviously, during this  
12 period of time for a long period of time, and they are  
13 very bad today.

14 Q What was the breakoff point in terms of  
15 percentage rate? I don't know if you did any analysis  
16 or anything at which point it would be uneconomical to  
17 obtain financing.

18 A I don't think there was. It's hard to do an  
19 analysis, because, you know, the Taj Mahal has a  
20 chance to be extremely successful. If it's really,  
21 really successful, you know, it can pay a high rate of  
22 interest. But again, what does that mean?

23 If it's normally successful, I believe  
24 it will be at least--I believe the Taj Mahal, if it's  
25 properly built, which it will be, I think, it better

1 Trump - Cross by Vukceovich

2 be, will be a very successful place.

3 I also know that if you have to pay 19  
4 percent interest, whether it's the Taj Mahal or  
5 anything else, it's just unacceptable. It's even  
6 psychologically unacceptable, if you want to know the  
7 truth. And so the rates were starting to come in.

8 I was looking at deals which were being  
9 made on Wall Street which were onerous, which I also  
10 knew about at the time of the hearings, in all  
11 fairness, and I know we discussed some of them, but it  
12 just--it wasn't getting any better. In fact, it was  
13 probably getting worse at that time. The interest  
14 rates seemed to be going up and the bond market was  
15 virtually dead and a lot of takeovers were being  
16 cancelled and everything was happening.

17 You know, I'm able to put up my own  
18 money at the prime rate, and I realized during the  
19 course, you know, toward the end of this period that  
20 the way this is going to happen and the way this  
21 company becomes a very good company is for me to buy  
22 the stock.

23 Now, I wasn't--again, I wasn't  
24 interested in the stock when it was 60 or 50 or 40 or  
25 30, but, you know, the stock got to a point where it

1 Trump - Cross by Vukceovich

2 started making more sense where I said to myself,  
3 Look, if I'm going to go through all of this work, and  
4 I know everybody thinks, oh, the management contract--  
5 well, first of all, I didn't even know if I was going  
6 to have a management contract because there were so  
7 many lawsuits out there, and second of all, if I'm  
8 going to go through all of this work, I might as well  
9 buy the company and do it myself, because anything I  
10 did--I started to realize in the public market that  
11 anything I did, no matter how great a job I did, about  
12 30 people out there, or more, were going to sue me,  
13 because I should have come in for less, I only saved  
14 \$100 million, I think you should have saved \$103  
15 million.

16 No matter what I did, it was a no win  
17 situation, and I started saying as the stock started  
18 really drifting down, and that was toward the end of  
19 the process, that I'm better off buying the company,  
20 and that's when I made an offer of 15.

21 Q When you initially bought your B stock from  
22 members of the Crosby and Murphy families, considering  
23 the fact that you were intering into or becoming part  
24 of a public company, didn't you at that time envision  
25 that there would be a greater likelihood of lawsuits

1 Trump - Cross by Vukceovich

2 than--

3 A Yes, I guess so, but--and it's not the  
4 lawsuits, I'm not a afraid of lawsuits. What I didn't  
5 like is the inconvenience of the whole process. It  
6 was a very messy company with all of the litigation  
7 and all of the problems, and what I've done by doing  
8 this is cleaned it up, I've cleaned it up.

9 One of the lawyers representing the  
10 stockholders even said to me, as he dropped his third  
11 lawsuit on us, or something, he said why don't you  
12 just--why do you go through this, why don't you just  
13 buy the company, and at the time I told him because  
14 the stock was too high, and it was, you know.

15 I mean, as an example, I bought a lot  
16 of Federated Department Stores a few weeks ago, and I  
17 liked it at 30, or whatever I paid, 29 or 30 or 31, or  
18 something. And then all of a sudden a guy comes out  
19 and he makes an offer of 61 for the stock, and  
20 somebody said why don't you buy it. I said because I  
21 don't like it at 61, I liked it at 30.

22 It's the same thing with this company.  
23 I didn't like it at 60; I liked it at 15. I mean,  
24 maybe I'm wrong for saying that, but I have to say it,  
25 right?

1 Trump - Cross by Vukceovich

2 Q The sellers of the B stock, the Murphys and  
3 the Crosbys, they had other alternatives other than  
4 selling that stock to you.

5 Am I correct that one of the key  
6 reasons that they determined to sell the stock to you  
7 is because they thought you could get the Taj Mahal  
8 built?

9 A I really don't know. You would have to ask  
10 them. I have no idea. They sold the stock to me  
11 because I was able to pay the price, I guess. I don't  
12 think--I didn't have any relationship with them, it  
13 was okay, it was civil. Maybe they thought that Pratt  
14 was a loser and they didn't want to sell it to him, I  
15 don't know. It's likely they did think that. But  
16 they had Pratt, and they probably had a couple of  
17 other people, and that's it, you know, so they chose  
18 me; ask them why.

19 Q In your book--

20 A I wish they didn't, it would have been a lot  
21 easier.

22 Q In your book, the Art of Deal, do you make  
23 any allusion to the fact that maybe the Crosbys and  
24 the Murphys sold you the stock because they thought  
25 that you were best qualified person?

1 Trump - Cross by Vukceovich

2 A I don't think I discussed it in the book.  
3 The book was written before this deal. That will be  
4 in the next book, if there is one.

5 Q At the time--in connection with the  
6 Commission's decision approving the Services  
7 Agreement, that took place on or about December 16th,  
8 and I believe you testified before the Commission on  
9 December 3rd, on or about that date.

10 At the time you testified, considering  
11 the significant amount of time between "Black Monday"  
12 and that date, October 19th and December 3rd, did you  
13 come to any conclusions concerning the--

14 A "Black Monday" or "Bloody Monday"?

15 Q I'm sorry, "Bloody Monday."

16 A Because "Black Monday" is--I've always  
17 referred it to as "Bloody Monday."

18 Q We'll call it "Bloody Monday."

19 Did you come to any--between that date  
20 and the time you testified, did you come to any  
21 conclusion concerning the ability or inability to  
22 obtain financing for the Taj on economic grounds?

23 A No. What happened is during that period of  
24 time--first of all, the hearings ended about three  
25 weeks, almost three weeks before I made the decision

1 Trump - Cross by Vukceovich

2 to tender. The contract was approved in three days.  
3 But during that period of time again, a lot of  
4 lawsuits came in on the contract, I believe, you know,  
5 during that period of time or the end of hearings,  
6 number one, which was important, but a lot of lawsuits  
7 came in, and they came in, you know, pretty hot and  
8 heavy, and I sort of referred to the period of time  
9 really probably more toward the end of the hearings  
10 more than the actual approval.

11 But the stock was going down, the stock  
12 of the company was going down, certain elements of the  
13 company were being revealed, and I made the decision  
14 to--I made the decision to do it. I mean, I make  
15 decisions. I don't have to go to board of directors,  
16 and I don't have to do things that some people have to  
17 do, and I was able to make a fast decision, and that  
18 decision was made very quickly. In fact, it surprised  
19 my own people because I did it, and a couple of them I  
20 forgot to tell them about it, and it caused me a lot  
21 of problems.

22 Q Would I be correct in saying that when you  
23 testified here before the Commission on December 3rd  
24 that at that point in time you still believed that you  
25 could obtain financing for the Taj Mahal through the



1 Trump - Cross by Vukceovich  
2 Services Agreement?

3 A I thought I could. I was starting to see, I  
4 think even at the end of the hearings, that the  
5 financing was going to be very costly, and it was  
6 really turning out to be more costly than I had  
7 thought for Resorts as Resorts without Trump in the  
8 ownership position.

9 One of the things that was sort of  
10 bothering me is that--and I say this perhaps speaking  
11 against myself, but the Management Agreement was  
12 hurting me in getting financing, because the  
13 Management Agreement, I was paid fees and the fees  
14 were taken out of the company and the institutions  
15 that were loaning money to the company didn't want to  
16 see fees being paid to Trump prior to their getting  
17 the money, and then I was starting to say, Hey, wait a  
18 minute, you know, I don't know, to get the financing  
19 I'm going to really have to totally subordinate my  
20 Management Agreement, which I was willing to do, by  
21 the way, but that was something that was also getting  
22 in the way.

23 That's the negative of what I was  
24 telling you before, the negative about the Management  
25 Agreement. The positive is that they wanted Trump to

1 Trump - Cross by Vukceovich

2 do it and the Management Agreement had us involved.  
3 But the negative is that a couple of--one institution,  
4 I think it was Prudential, my brother Robert went to  
5 visit them, and they were very concerned that we be  
6 paid nothing, that everything come out to pay the bond  
7 holders. So, we had that problem, we had that  
8 difficulty, and it was a real difficulty.

9 The beauty of what we are doing now is  
10 that there doesn't have to be a management contract  
11 and all of the money that would be paid under the  
12 management contract is now not paid, it's not a cost,  
13 so the company becomes different from that standpoint.

14 Q Well, as I recall, and I could be wrong, it  
15 was a while ago, at the last hearing there was  
16 testimony concerning the effect of the cost of the  
17 agreement, and I believe that the indication through  
18 the testimony was that the financial community would  
19 be inclined to provide financing for the Taj Mahal  
20 even though the cost of the Management Agreement were  
21 as they were or were intended to be because of your  
22 involvement. Do you--

23 A Yes, but they are more inclined to provide  
24 financing for the company if I have a hundred percent  
25 involvement instead of nine percent, or whatever it

1 Trump - Cross by Vukceovich  
2 was, and if I don't get a fee for running the company,  
3 but I own the company, because that fee was a  
4 substantial detractor from the standpoint of  
5 financing.

6 At the same time, if you didn't have  
7 Trump, I don't think they would have gotten it,  
8 anyway. You know, it's a very double-edged sword.

9 One company in particular mentioned  
10 that the management fee was a problem. This is  
11 another thing that was happening during this period,  
12 you know, during and after even the Commission, you  
13 know, the hearings was we were finding out the  
14 difficulties of the company relative to the management  
15 contract and financing.

16 At the same time, if we weren't there,  
17 they wouldn't have gotten financing, either. And with  
18 us--you know, I mean the difference is so incredible.  
19 Since we made the deal at \$22.00, institutions that  
20 haven't been even involved in Atlantic City, I'm  
21 talking about banking institutions, not these junk  
22 bonds, which are ridiculous, okay, have come to us  
23 virtually and have been willing to--I mean, I got a  
24 call from one bank wanting very much to see me,  
25 wanting to invest \$100 million in the deal, and we are

1 Trump - Cross by Vukceovich

2 talking about a rate of interest at the prime rate.

3 And, you know, that's some difference  
4 between that and talking to bond holders, and by the  
5 time you pay the Wall Street commissions and the fees  
6 and the this and the that and the legal, I mean, here  
7 we're talking about one bank potentially doing the  
8 whole deal, without even participants.

9 Now, they'll get participants probably  
10 later on, because it's a big loan even for this bank.  
11 And again, I'm not making any commitments, I don't  
12 know, I think they want to do it really badly. There  
13 are a number of banks that want to do it, I think  
14 badly, but that doesn't mean that it absolutely gets  
15 done.

16 I saw where Joel Sterns was quoted that  
17 this guarantees the completion, and I said, Hey, wait  
18 a minute, you know, because I've had these problems  
19 before with the Commission, somebody guarantees  
20 something. I don't want to guarantee anything  
21 anymore. And so I'll temper Joel's enthusiasm a  
22 little bit, but I think that I can be a little  
23 enthusiastic myself.

24 But the difference is, you know, it's a  
25 difference of 10 or 11 points, when you think of it,

## 1 Trump - Cross by Vukceovich

2 and it's more than that, because there's no brokers in  
3 the deal, it's a direct loan, there's no brokers  
4 where, I mean, you have to pay two or three points to  
5 the brokerage firm, so if you raise \$500 million,  
6 you're paying a \$15 million commission to the  
7 brokerage firm, and then you're paying tremendous  
8 legal fees, because you have documents that are two  
9 feet thick instead of a banking document, which is  
10 made with one bank, which is, you know, it's a fairly  
11 complex document, but it's a lot--it's a simple  
12 document, relatively speaking.

13 You don't have the bond holders, you  
14 don't have this, you don't have the SEC involved, you  
15 know, you don't have the tremendous legal costs and  
16 problems and documents and fees and everything else.

17 So, you know, it's a tremendous  
18 difference. But the big difference is the difference  
19 between--I don't know what the prime rate is, eight  
20 and a half percent I think today--but between a prime  
21 rate of approximately--a number of approximately eight  
22 and a half or nine percent and a rate of 19 percent,  
23 or 16 or 17 or 18 percent. You know, you could be  
24 talking more than 10 points.

25 Q Here is what I'm getting at.

1 Trump - Cross by Vukceovich

2 Before you testified here, the last  
3 time, in December, did you have any discussions with  
4 any investment bankers where you learned of the  
5 ramifications on financing concerning the Services  
6 Agreement vis-a-vis privatization?

7 A No, not in terms of the Services Agreement,  
8 but I knew the financing was going to be expensive,  
9 you know, but I don't think the Services Agreement  
10 came up until much later. It wasn't the investment  
11 bankers that brought that to my attention, it was the  
12 investment bankers' buyers, because what we do is you  
13 put on, you know, sort of a display or a show for the  
14 buyers.

15 I mean, you're essentially your own  
16 investment banker, you go out and sell it yourself,  
17 then they go out and get a three percent commission,  
18 and we noticed that some of the buyers were saying  
19 that, you know, the fee and all, where does it come  
20 in, do we get our money first. You know, things that  
21 were not thought of by the investment bankers were  
22 thought of by the buyers of the bonds and they  
23 started--you know, that started getting a little more  
24 evident. It was another obstacle, it was another  
25 problem. It wasn't an insurmountable problem, by the

1 Trump - Cross by Vukceovich

2 way, but it was a problem.

3 Q But you knew that financing would be  
4 expensive back then?

5 A I said that to you at the time of the  
6 hearing, too. I mean, everybody knew financing was  
7 going to be expensive, that's the one thing we knew  
8 for sure.

9 Q Would it be more expensive now than it would  
10 have been then?

11 A Now today?

12 Q Yes, in view of the Services Agreement.

13 A Would it more expensive today than it would  
14 have been when?

15 Q Than at the time you testified the last time,  
16 considering the applicability of the Services  
17 Agreement.

18 A I don't know, I can't tell you. I think it  
19 would be similar, I think it would be similar today.

20 Q And the next question would be: If the  
21 financing were to be similar today as it was the last  
22 time you testified, why is privatization better? I  
23 mean, what's changed other than--

24 A I thought I explained that for the last  
25 hour. I don't know, do you want me to go through it

1 Trump - Cross by Vukceovich

2 again?

3 Q In other words, I want to know what's new  
4 from the last time you testified.

5 A Well, a lot of things are new. The stock  
6 went down, for one thing, that's new.

7 You know, the company, I think we found  
8 certain things of cost, we made a lot of changes we  
9 had to make, I told you about the casino, I told you  
10 about the units, I told you about the additions, I  
11 told you about the suites.

12 You know, I think there are a lot of  
13 things that are new, a lot of things changed. The  
14 market changed, the market for this particular stock  
15 changed. And again, as I said four times, I wasn't  
16 willing to buy it--I don't know what the price was  
17 exactly at the time, but I made a quick decision, and  
18 I make quick decisions, I do that.

19 I mean, you know, it wasn't something  
20 where I said well, you know, I will wait, I will do  
21 this, I will do that. I don't think I spoke to  
22 anybody. I don't think I even spoke to Harvey about  
23 whether or not I was going to buy the company, because  
24 it wasn't in my thought process, and when I did it, it  
25 happened very quickly.



1 Trump - Cross by Vukceovich

2 Now, a number of people--I think even  
3 Schulte said why don't you buy the company, I think he  
4 said that, I don't know, I'm not a hundred percent  
5 sure, but I think Schulte even said why don't you buy  
6 the company. A lawyer for the stockholders said why  
7 don't you buy the company. You know, this is during a  
8 period of time, but it didn't enter my thought process  
9 too much because--in fact, I don't think at all,  
10 because the stock was just too high.

11 At the end of the hearings, the stock  
12 was low, and I cleaned up a lot of problems by buying  
13 it, including all of these 19 or so lawsuits,  
14 including the financing problem, because it's very  
15 easy for me to get financing, but it's not easy for  
16 Resorts to get financing, and it cleaned up all of the  
17 problems. It cleaned up, it seemed like, almost all  
18 of the problems, that's why I did it.

19 Q Would it be correct to say that--well, which  
20 would be more correct to say? Would it be more  
21 correct to say that privatization is the only  
22 alternative available to complete the Taj Mahal or  
23 would it be correct to say that it's the better of the  
24 two alternatives?

25 A Well, it's certainly the better, but I think

1 Trump - Cross by Vukceovich

2 I could almost say it's the only viable alternative,  
3 because junk bond financing is--hey, I can't tell you  
4 what's going to happen in six months, and bond rates  
5 may very well be dropping now, interest rates are  
6 dropping and bond rates start to drop and there seems  
7 to be a lot of liquidity out there and I think  
8 interest rates are going to be down over the next  
9 period of time.

10 You know, maybe somebody will accuse me  
11 later of saying that Trump knew that interest rates  
12 were going down, you know, that I know that in six  
13 months from now interest rates are going to go down.  
14 I wish I could predict it. But the fact is that I  
15 have a feeling that interest rates are going to be  
16 going down.

17 If that happens, I might be able to put  
18 a bond issue on in about, you know, a period of time,  
19 in six months, less, more, I don't know, that  
20 eventually will be fine, I don't know. But I can tell  
21 you as of today, and more so than probably today, as  
22 of a month ago those bonds were very expensive. So I  
23 would really say it's the only alternative, but I can  
24 definitely say it's the only viable alternative.

25 Q This is where I'm having my trouble

1 Trump - Cross by Vukceovich  
2 understanding you.

3 If the financing availability today, if  
4 we assumed the Services Agreement is in place, is  
5 similar to the point in time where you testified here  
6 the last time, how can you now say that privatization  
7 would be the only viable alternative?

8 A I don't say that, I didn't say that. I  
9 think what I am saying is that I believe I could get  
10 financing for the company, okay. I believe that after  
11 you put the financing on, I don't believe that the  
12 company either loses money--that the company will  
13 either lose money or whatever. I believe you can  
14 get--maybe get through the period of building.

15 What I felt at the time is that it  
16 wouldn't have made sense to buy the stock, the stock  
17 was too high. I ended up buying the stock in the end  
18 because it served a lot of purposes, including  
19 cleaning up lots of litigation. I was not willing to  
20 go through a deal--even with Commission approval, I  
21 was not willing to go through years of work on this  
22 company on the basis that maybe, just maybe this  
23 document would have been ruled, you know, not  
24 acceptable by the courts of wherever they--I think it  
25 was Delaware we were being sued primarily. I was

1 Trump - Cross by Vukceovich  
2 unwilling to go through that work. That was an  
3 important part of my judgment. My judgment was made  
4 very quickly.

5 It was more difficult to get the  
6 financing for the company than I thought, even at the  
7 hearings. When we had the hearings, I think I felt  
8 pretty optimistic. By the end of the hearings and  
9 during that three-week period after we felt the  
10 Management Agreement was going to be approved, but,  
11 you know, I--we just were getting a very negative  
12 feeling as to the financing, or at least viable  
13 financing.

14 And whether or not the company could  
15 have paid for it, I mean, you're saddling yourself  
16 with debt at rates of interest that for 20 years or 15  
17 years you're going to be paying for, and that coupled  
18 with the fact that the stock was at a lower point, and  
19 coupled with the fact that we could have cleaned up  
20 the whole mess, and coupled with the fact that I can  
21 get financing individually, you know, that I can get  
22 financing, you know, I decided to make a tender or  
23 make an offer for the company.

24 Q Referring to what you just indicated that  
25 initially at least during the last hearings there was

1 Trump - Cross by Vukceovich

2 the sense of optimism on your part concerning the  
3 financing, could you tell us why at that point in time  
4 you were optimistic? What did you learn and from  
5 whom?

6 A Well, you have to understand, if anybody  
7 knew that October 19th was going to happen, maybe you  
8 just wouldn't have done it.

9 I felt optimistic based on my meetings  
10 with Bear, Stearns, I felt optimistic based on a  
11 meeting that I had first with First Fidelity Bank  
12 where they were going to put up \$250 million. What  
13 ultimately happened is that their participant  
14 cancelled out on them, they cancelled out. They  
15 thought they had a participant, maybe they did, maybe  
16 they didn't, I don't know, but--and the other thing is  
17 that when we were talking with Bear, Stearns, my  
18 impression was that we were talking about interest  
19 rates--and again, you never know what the interest  
20 rate is going to be. They don't tell you that until  
21 the day they do the issue, they tell you in the range  
22 of, and I thought we might be talking about interest  
23 rates of 14 and 15 percent.

24 As I started getting more and more into  
25 it, I wasn't seeing those rates on other deals. I

1 Trump - Cross by Vukceovich

2 mean, every broker is an optimist, and when you get  
3 them in here they will tell you all sorts of things.  
4 When you get them into your office, they'll tell you  
5 absolutely we can raise the money, we can do this, we  
6 can do that. But when you get them out and say go and  
7 raise the money, then they tell you you have to pay 18  
8 percent, you know, the 15 percent or the 14 percent  
9 isn't acceptable, and I started to feel very  
10 negative.

11 And then I started to say, you know,  
12 when you start talking of the interest rates like  
13 that, I think it's disgraceful, I think it's  
14 ridiculous, and I think it's--I just don't think it's  
15 appropriate to pay 16, 17, 18, 19 percent interest,  
16 and like that, and I was optimistic.

17 But then the other thing that came up  
18 was I started saying that my Management Agreement is  
19 certainly in question. And I will tell you right now,  
20 I don't want to go through all this work and not get  
21 paid for it. My Management Agreement was in question,  
22 not because of the Commission, but it was in question  
23 because of the courts, because I had lawsuits out  
24 there and they were challenging the Management  
25 Agreement. And if that Management Agreement was

1 Trump - Cross by Vukceovich  
2 voided in two and a half or three years from now, what  
3 have I got? And all of this happened, and it just  
4 made sense to buy the company.

5 Q During those early discussions with Bear,  
6 Stearns, as you testified at the prior hearing, did  
7 Bear, Stearns ever give you their views on how the  
8 Services Agreement might affect financing?

9 A I don't remember that. They might have, but  
10 I don't remember that. We discussed it during the  
11 negotiations I remember a little bit, but I don't  
12 remember specifically whether or not they did. But I  
13 do remember they were optimistic for the financing,  
14 and they were optimistic we could get a good rate.  
15 And then when we started really getting down to the  
16 nitty-gritty, the rate wasn't so great and the amount  
17 of money wasn't so great and other things weren't  
18 quite what maybe we thought they would be and things  
19 started changing around.

20 Q At what point in time did you begin to get  
21 those negative feelings?

22 A The more I dealt on the legal documents with  
23 the lawyers for the bonds.

24 Q Would that have been in December, after you  
25 testified--

## Trump - Cross by Vukceovich

1  
2 A Yes, it was toward the end, it was toward  
3 the end. It was probably toward the end or during  
4 that three-week interval, or whatever. But the more  
5 we dealt--you know, the more we dealt with Bear,  
6 Stearns, it just seemed that they didn't know what  
7 interest rates we were going to have to pay, there was  
8 a real question as to what interest rate we were going  
9 to have to pay. And I started to realize--and, you  
10 know, the problem is you will do \$150,000.00 worth of  
11 legal documents and you don't even know what interest  
12 rate you're paying, you have no idea, because they'll  
13 tell you one day before they go to the market, well,  
14 we are never going to be able to raise the money at 15  
15 percent, we're going to need 19 percent, and you're  
16 sitting there, after spending all the money on the  
17 legal documents, you're sitting there saying, Hey, you  
18 know, for four months we have negotiated this document  
19 and now the day before they go out to market they're  
20 telling us they want four points more than they  
21 thought.

22 The whole process, frankly, is  
23 ridiculous and it's not one that I'm particularly  
24 familiar with, although I did it twice, I did it with  
25 Trump Plaza, but those rates were a lot different



1 Trump - Cross by Vukceovich

2 then. When I did it at Trump Plaza and Trump's  
3 Castle, you know, the rates, you're talking about a  
4 different ballgame. It was before October 19th, it  
5 was easy to raise money, you had absolutely no  
6 obligations or guarantees, you know, it was a  
7 different ballgame, and we knew pretty much the rate.  
8 In fact, we ended up getting it for less than what we  
9 thought we were going to get it at instead of more,  
10 but there was just no certainty, we didn't know what  
11 we were going to get it at.

12 Q When did you first have discussions with one  
13 of your lawyers concerning the possibility of a  
14 merger?

15 A It's very hard to precisely say, but it was  
16 sometime I believe after the hearings, and I think it  
17 was really after the Management Agreement was  
18 approved.

19 Q So sometime between December 16th and  
20 December 21st?

21 A Right, if that's the date, if that's the  
22 date.

23 Q And with which person did you have those  
24 initial discussions?

25 A I think it was Jack Nusbaum. I think it was

1 Trump - Cross by Vukceovich

2 Harvey Freeman initially and then Jack Nusbaum  
3 ultimately.

4 Q Would your discussion with Mr. Freeman be  
5 within that same time period?

6 A Yes, because it was a very quick decision.  
7 Hey, if I would have waited, I probably could have  
8 bought it for less. You know, I should have waited  
9 another couple of weeks, it would have gone down to  
10 five, maybe, but it was a very quick decision.

11 Q Well, according to the press release, which  
12 once again is Exhibit A-2 to Division Exhibit No. 9,  
13 in that press release at the bottom of the page, it  
14 indicates that, "Mr. Trump indicated that only with  
15 the financial backing of the Trump organization would  
16 it be possible to build the Taj."

17 What exactly does that mean? How did  
18 you come to that conclusion?

19 A It means, as I said before, that I can do  
20 things that Resorts can't do.

21 For instance, I can get Trump's Castle,  
22 which is a very successful place, perhaps I can do  
23 this, I don't know that I will, but I can get Trump's  
24 Castle involved with Resorts in the sense of a  
25 guarantee, so I can get a Trump's Castle guarantee

1 Trump - Cross by Vukceovich

2 potentially, if I wanted to, on this financing so that  
3 the financing would be obviously much more prime, and,  
4 you know, it would be very prime if that happened. I  
5 can do things outside of what Resorts had to do.

6 I also, as I said before, don't have to  
7 use junk bonds, I can use my own funds or I can use  
8 regular bank borrowings, so I can build at the prime  
9 rate, whereas Resorts has to pay 18 or 19 percent  
10 interest, and that's basically what that means.

11 Q At that point in time did you have any  
12 indication from any investment banker that in order to  
13 complete the Taj there would need to be a personal  
14 guarantee on your part or the putting up of some of  
15 the Trump organization properties as collateral?

16 A Well, not so much an investment banker. Dan  
17 Lee I think is quoted in the New York Daily News as  
18 saying, you know, at this point in time, something to  
19 the effect that people--nobody can raise junk bond  
20 financing, and yet the funny thing is in this world  
21 there is tremendous liquidity right now in the  
22 markets.

23 I mean, the banks call me all the time,  
24 can we loan you money, can we this, can we that.  
25 There is tremendous liquidity if you have a good

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Trump - Cross by Vukceovich

statement and if you're solid. The banks, they want to throw money at you. And yet, if you want to go out and borrow so-called junk bond financing, it's very difficult to get and the rate you would have to pay is very prohibitive. I don't know, I really don't know.

Q Prior to the time of the issuance of this press release, did you have any personal discussions with Mr. Lee about what it would take to build the Taj? In other words, I'm referring to this--

A I had a general discussion with him, but I was really going with Bear, Stearns, and I did have a general discussion and he was not particularly optimistic about the financing of the junk bonds, and again I have to say junk bond financing.

I think he even asked me, and I might be wrong, but I think he was one of the people who said you ought to just take the company private and just build it, and, you know, it's really a junk bond versus--there seems to be a lot of money around on a regular basis.

Q But you dealt primarily with Bear, Stearns?

A Yes, primarily with Bear, Stearns.

Q Did they give you any indication of the type of financial backing that you would have to offer to

1 Trump - Cross by Vukceovich

2 what exactly was your understanding as to what you  
3 would have to do for Resorts in addition to  
4 privatization? In other words, what would you have to  
5 do to get that financing?

6 A I didn't discuss it because I wasn't going  
7 to do it. I mean, I could discuss it for the sake of  
8 sociological argument, but it didn't play any role  
9 because I'm not going to, obviously, put my own money  
10 into a company that I own nine percent of.

11 Q On the next page, page 2 of the press  
12 release here, going four lines down on page 2, and it  
13 talks about that you would not be--that you were  
14 making a tender offer because you would only commit  
15 all of such resources of the Trump organization to the  
16 project if you were 100 percent owner thereof.

17 What does that word "resources" mean as  
18 used in this press release?

19 A Well, it means--I gave you the example of  
20 Trump's Castle or something. In other words, it means  
21 the strength of the Trump organization. It means I  
22 could invest my own cash in the company or I could  
23 invest my own borrowings in the company or I could use  
24 a guarantee from one of my other properties so that,  
25 you know, it's even stronger.

1 Trump - Cross by Vukceovich

2 put forth prior to financing?

3 A No, because I wouldn't do it. Why would I--  
4 if I own nine percent of a company, why would I put up  
5 financial banking? I mean, that's the point of what  
6 we're discussing here today. I own nine percent of a  
7 company, and if you own nine percent of a company, you  
8 can't put your own money into that company. If you  
9 own 100 percent, you can put it in. But if you own  
10 nine percent, who is going to put their money into a  
11 company that owns nine percent? And even if I loaned  
12 money to the company, then some stockholder is going  
13 to sue me and say I'm getting too much interest, I  
14 should do this, and what does he have in mind by  
15 loaning the money, he's got this sinister plot  
16 involved, you know, it's ridiculous.

17 So, if I loan money to the company at a  
18 rate that would be four points less than junk bond  
19 rates, if I loaned money at prime plus two, I'd be  
20 sued because I'm making too much money, I'm getting  
21 rich, you know. It's a never ending situation.

22 Q Well, what I'm getting at, and maybe I  
23 wasn't clear and maybe you just answered it in terms  
24 of your discussion about a possible loan to the  
25 company, at the time this press release was issued,

1 Trump - Cross by Vukceovich

2 Again, you know, Resorts is a strong  
3 company, a very strong company at eight and a half or  
4 nine percent, but General Motors isn't a strong  
5 company if it has to pay junk bond prime rates, and  
6 that's not deprecating Resorts, by the way.

7 I'm not-- you know, I'm telling you  
8 that whether it's General Motors or Proctor & Gamble,  
9 or any other company, if they have to go out and get  
10 junk bonds to do their borrowings, they are not a  
11 strong company, and Resorts is going to be a very  
12 strong company, I believe. But it's not going to be a  
13 strong company if it has to commit for years and years  
14 to pay rates of 17, 18, 19 percent interest, but  
15 neither is General Motors. So I don't want to  
16 deprecate Resorts by saying--you know, no company can  
17 pay those kinds of rates.

18 The funny thing with junk bonds is that  
19 the junk bonds is what really made the companies  
20 junk. That's why they're called junk bonds, the rates  
21 are so high on the junk bonds that they make the  
22 company that could have been a very good company, they  
23 make them junk, so it's like a self-fulfilling  
24 prophecy, almost.

25 Q I'd like to refer you now to Exhibit 10, and

1 Trump - Cross by Vukceovich

2 you have the exhibit book before you.

3 A Exhibit which?

4 Q Exhibit 10. Exhibit 2 is the December 23rd  
5 letter.

6 A Okay.

7 Q In the middle of the page, the second full  
8 paragraph, it indicates in this letter, which is  
9 December 23rd, from yourself to the board of directors  
10 of Resorts, the middle of that second paragraph  
11 indicates that there exists general uncertainty  
12 relating to operating a casino hotel of this size in  
13 Atlantic City, referring to the Taj.

14 What basically is that uncertainty?

15 A Well, you're asking me all these questions  
16 so that I can tell the New York Times what that  
17 uncertainty is so that it gets printed. It's just so  
18 negative, it's just so negative, this whole process.

19 Hey, what is the uncertainty? The  
20 uncertainty is it's a very big building. I think it's  
21 going to be very successful, but maybe there's going  
22 to be uncertainty, okay.

23 Q Well, the reason I ask the question is  
24 because it was a big building to begin with and that  
25 Resorts and yourself asked the Commission to make it a



1 Trump - Cross by Vukceovich

2 bigger building by closing Resorts I and making it a  
3 part of the--

4 A No, making it a smaller building by closing  
5 Resorts I, because you're building it down to a  
6 size--you're putting all of your casino into one  
7 modern new casino and you're closing the other  
8 competing casino directly across the street. You're  
9 going from 160,000 to 120,000. So, it's not bigger,  
10 it's smaller, it's more efficient, and it's going to  
11 be better run, and it's going to be a better design,  
12 and some day maybe that casino can be reopened again,  
13 when the market justifies, but for right now it's a  
14 much more efficient operation.

15 Q How did you arrive at the initial tender  
16 offer price of \$15.00 per share?

17 A I flipped a coin. I mean, the stock was at  
18 12 and I bid 15. It wasn't any great magic.

19 Q What was your initial reaction when that was  
20 rejected by the board of directors, the independent  
21 board?

22 A Hey, they have their duty to do, they did  
23 it, and that was it. I mean, you know, what do you  
24 want to hear? I mean, my reaction was that they  
25 rejected it.

## Trump - Cross by Vukceovich

1  
2 Q I would like to refer you now to Exhibit  
3 D-11, which is the January 11, 1988 letter of the  
4 Special Committee of Resorts' board of directors to  
5 yourself. At the top of page 2, there is reference to  
6 the advisors of the independent board at one point in  
7 time earlier to this suggesting a merger to you.

8 Could you give us the details as to  
9 when that happened and under what conditions?

10 A I don't understand, where is this?

11 Q Top of page 2 of that exhibit, it continues,  
12 the sentence, it says, "Our advisors suggested a  
13 merger to you at the outset"--

14 A I think they did, and it was very smart of  
15 them to do, because the stock was much higher at that  
16 point. I think Schulte, and I think I alluded to it  
17 before, that Schulte said why don't you--instead of  
18 doing this, why don't you buy the company, and I  
19 wasn't interested, I believe he said that, I don't  
20 know, you know, in one sentence, in passing, I thought  
21 it was in passing, we were negotiating the agreement.  
22 He said why don't you just go and buy the company, and  
23 I just wasn't interested in doing that at the time.

24 Q Was that the subject of any great discussion  
25 or was it more or less--

1 Trump - Cross by Vukceovich

2 A I think it was very much in passing.

3 Q From the point in time that the \$15.00  
4 merger offer or tender offer was rejected, how  
5 involved were you in the negotiations with the  
6 independent board?

7 A Not very involved. I mean, I had set  
8 certain guides. Harvey Freeman was really involved  
9 and he would see me, but I really--I wasn't that--I  
10 wasn't very involved.

11 Q Was Mr. Freeman your principal  
12 representative who was involved in those negotiations?

13 A Mr. Nusbaum, Mr. Freeman, Mr. Sterns was  
14 involved.

15 Q There has been testimony to the effect that  
16 a bankruptcy lawyer who specialized in bankruptcy  
17 appeared before the independent committee.

18 Would you indicate for us what the  
19 circumstances are concerning that? How did that come  
20 to be?

21 A Indicated where I said the New York Times  
22 could write all about it tomorrow?

23 Q I think it's a legitimate question, that's  
24 why I asked it.

25 A It's a great question.

1 Trump - Cross by Vukceovich

2 The company was having cash flow  
3 problems because of the cost of the Taj Mahal, and at  
4 the rate the company was spending money it wouldn't  
5 have had the necessary funds to keep going, and,  
6 therefore, it was appropriate to look into various  
7 alternatives.

8 One of the alternatives was bringing  
9 this counsel in to look at it. The other alternative  
10 was the possible buying of the company so that the  
11 company could be financed, because again, as I said, I  
12 think this can be a good company, a very good  
13 company. I believe it will be a very good company  
14 after the Taj gets built and opened, I believe it will  
15 be an outstanding company. But, in the meantime, it  
16 had difficulty.

17 I didn't cause the difficulty. I  
18 didn't cause the stupid decisions that were made in  
19 this company for a period of four or five years, but I  
20 just--and I got there and I saw it. I mean, my first  
21 act was to sell Pan Am stock. Everyone said no, wait  
22 until it gets up to seven. I was asking Charlie  
23 Murphy to sell the stock when it was at seven, and he  
24 said no, we paid eight, we want it to go up to eight,  
25 and by the time it ended up--when I became chairman,

1 Trump - Cross by Vukceovich

2 my first act as chairman was to sell the Pan Am stock,  
3 we sold it at five or five and a quarter, or  
4 something, and now I see it's down to two and a half.

5 I mean, the things that this company  
6 invested in, the way they spent their money was, in my  
7 opinion, ridiculous, and that's one of the problems,  
8 that's been a big problem for us psychologically.

9 That's why it's a lot--even though you have new  
10 management now, there is a lot of stigma left from a  
11 lot of the decisions that were made with old Resorts.  
12 Shrimp futures, silver futures, buying up amphibious  
13 aircraft all over the place. I mean, the money that  
14 was spent, Pan Am stock, all of these different  
15 things, that, you know, it's easier to finance if  
16 Donald Trump owns it.

17 It was not easy or practical to  
18 finance, as I was finding out more and more, if it was  
19 run as the company, if you tried to finance it as  
20 Resorts. However, I think it will be a very strong  
21 company, or I wouldn't be doing this, believe me.

22 Q Were there any other alternatives  
23 considered? I know that one, the bankruptcy lawyer  
24 appeared before the independent board, and two, there  
25 was the alternative of buying of the company. Was a

1 Trump - Cross by Vukceovich

2 third alternative the continuation of the Services  
3 Agreement? Was that also explored?

4 A I don't know. It was looking like it was  
5 more and more difficult to get a practical financing  
6 unless I got the financing myself, and I wasn't going  
7 to get the financing myself unless I owned 100 percent  
8 of the company, it's as simple as that.

9 Q Do you know if there were were there any  
10 other proposals considered? For example, the possible  
11 selling of any Resorts assets in order to help obtain  
12 financing, was that considered at all?

13 A Absolutely.

14 Q And what was the decision concerning that?

15 A We had "For Sale" signs on every piece of  
16 property they own in Atlantic City, all you have to do  
17 is look, and we are going to be selling the land in  
18 Atlantic City, which is a positive thing for Atlantic  
19 City because it will allow development to go through.

20 Resorts owns a lot of land in Atlantic  
21 City and, as you probably already know, we have signs  
22 up on the land for sale for the first time.

23 Resorts didn't want to sell any of  
24 their land. They thought they were sitting on a  
25 golden egg and they didn't want to sell their land. I

1 Trump - Cross by Vukceovich

2 look at selling the land as a positive. Not only does  
3 the company get money, but it also creates economic  
4 development in the area, jobs that would be held up  
5 because Resorts owns a little piece of land in the  
6 middle of a block and they wouldn't sell it to some  
7 guy who wanted to build something is now, believe me,  
8 that land is for sale, and I look at it as being a  
9 positive thing, not a negative thing.

10 You can't hoard all the land in  
11 Atlantic City because it's just going to stay the way  
12 it is, so we put the land up for sale in Atlantic  
13 City.

14 Q None of that land has been sold yet; am I  
15 correct?

16 A It hasn't.

17 Q In terms of--let me be more direct with my  
18 question.

19 In terms of looking at it--I think the  
20 land went for sale sometime ago, but in terms of the  
21 recent negotiations that the Special Committee engaged  
22 in, was there any practical consideration as to  
23 whether or not financing could be obtained by  
24 sectioning off major assets of the company? For  
25 example, hypothetically, the sale of Paradise Island,

1 Trump - Cross by Vukceovich  
2 was that at all considered or evaluated?

3 A It was considered, but it was very  
4 difficult, and it would be more time-consuming. You  
5 would need governmental approvals, you would need  
6 other things, and Paradise Island is very profitable.

7 There were those such as Marvin Davis  
8 that wanted Resorts because he wanted to get Paradise  
9 Island. He didn't want to get Atlantic City, he  
10 wanted to get Paradise Island, and Marvin Davis wanted  
11 it, Tiny Roland I think wanted it, and a lot of other  
12 people wanted it. But to do that is not so simple.  
13 You're talking about a very complex transaction that  
14 takes a long time with government approvals, et  
15 cetera, et cetera, it's not easy, plus, Paradise  
16 Island is a very valuable asset.

17 Q As I believe you indicated earlier, Mr.  
18 Schulte did testify before the Commission, and as part  
19 of his testimony he indicated what the fee structure  
20 arrangement he had with the Independent Committee  
21 consisted of.

22 Did you or any of your representatives  
23 participate in any negotiations with Mr. Schulte  
24 concerning fee?

25 A I thought his fee was ridiculous. I also



1 Trump - Cross by Vukceovich

2 thought that it's a big deal and I didn't think that I  
3 should be influencing the independent directors, but I  
4 thought his fee was ridiculous. I didn't know what  
5 his fee was basically until--you know, I gave them the  
6 right to negotiate. I mean, I wish they did as well  
7 with him as they did with me, because I thought his  
8 fee was very high, frankly. But I also think he is a  
9 professional, he did a good job, he represented them  
10 very strong and tough, and I didn't think--I mean, you  
11 know my relationship with Schulte, it's okay, but  
12 certainly not great, but I didn't think it was my  
13 prerogative to essentially tell the independent  
14 directors who they should be using as their  
15 consultant.

16 I think I could have knocked Schulte  
17 right out of the box when I heard what his fee was,  
18 but I didn't, because I thought--and I think Harvey  
19 will tell you, when I heard his fee, I said, This is  
20 ridiculous, and I feel it is, I still feel it's  
21 ridiculous, to write a report and get that much money  
22 for writing a report and to negotiate, and this and  
23 that, but to spend a couple of weeks doing something,  
24 it's preposterous.

25 But, nevertheless, I didn't feel in the

1 Trump - Cross by Vukceovich

2 size of the deal, the overall size of the deal it's  
3 not an important factor. I didn't feel that it was  
4 appropriate or even legally good later on down the  
5 line, with the lawsuits and everything else, for me to  
6 have been rejecting consultants and maybe steering  
7 other consultants in there who would have had a much  
8 more favorable fee structure. So I said, you know,  
9 let it go, but I thought it was a very high fee.

10 Q So I guess I would be correct in saying that  
11 you had absolutely nothing--you or your  
12 representatives had absolutely nothing to do with the  
13 manner of the fee structure between the independent  
14 board and Schulte, that they did that entirely, the  
15 independent board?

16 A That was entirely the independent board,  
17 and, you know, it was a big fee, and I let them know  
18 that. I let Harvey know it, anyway.

19 Q I know that you have touched on it, both in  
20 my cross-examination and in Mr. Ribis's direct, but I  
21 would like to go over in a little more detail the  
22 actual and specific efforts that were made and with  
23 which--particularly with which institutions to obtain  
24 financing for the Taj under the Services Agreement,  
25 and could you indicate it once again? I don't recall

1 Trump - Cross by Vukceovich  
2 the banks. I haven't written them down.

3 A Merrill Lynch rejected us on the basis that  
4 junk bond financing is virtually impossible to raise,  
5 not because of Resorts, but because it was very tough  
6 to raise for any company.

7 Bear, Stearns was working on it. We  
8 were relying on Bear, Stearns, they are excellent,  
9 they are highly respected. Alan Greenberg is one of  
10 the great legends of Wall Street, he was involved in  
11 this personally. Because of that, we really couldn't  
12 get too much involved with Drexel because they are on  
13 very competitive terms, so we had a hard--I'm talking  
14 now from a practical standpoint. You know, you just,  
15 you don't do that, and Bear, Stearns has been very  
16 loyal both to Resorts and to me, so we chose Bear,  
17 Stearns to look at that, but I didn't like it anyway,  
18 even during the hearings I didn't love it, because I  
19 knew the financing was going to be very expensive, and  
20 I started seeing regular banks, without Trump, in  
21 other words, regular banks for Resorts without Trump.

22 And what happened is because of Trump,  
23 even though I don't have any guarantee involved  
24 whatsoever, First Fidelity put up \$125 million because  
25 they had confidence in me.

1 Trump - Cross by Vukceovich

2 Now, they made the statement that  
3 because of you and because of the confidence we have  
4 in you, we are going to loan \$125 million. They  
5 thought they had a participant for 250, a total of  
6 250, 125 and 125, but that participant blew out of the  
7 woodwork. Now, it's very possible that that  
8 participant comes back, but I don't think we even need  
9 that participant anymore because we have now, with  
10 this new situation, everybody wants to loan money.  
11 Well, everybody. I have to be very careful what I say  
12 before this Commission. Not everybody; a lot of  
13 people.

14 CHAIRMAN READ: Thank you, Mr. Trump.  
15 That's been a problem.

16 A (Continuing) We have gone through this  
17 before, so I will temper my statement to say that a  
18 lot of people now that would not have been inclined to  
19 loan money are inclined to loan money, and that's  
20 because of the fact that I would own the company and I  
21 have a lot of banking relationships and they have been  
22 very good relationships.

23 So I went to--I'd rather not mention at  
24 this public hearing the name of the banks. I have a  
25 hard time mentioning the names of banks at this moment

1 Trump - Cross by Vukceovich

2 because I don't have a commitment and I really don't  
3 think it's appropriate to them, but I have a number of  
4 major banks that are very interested in Resorts  
5 International, with me owning it, and at a very prime  
6 rate.

7 Q The ultimate question I'm getting to with  
8 all this questioning is: You say that you have these  
9 banks that are interested in loaning the money for the  
10 Taj around prime rate with you as the owner.

11 Aside from the fact of your being the  
12 owner of the stock, what is the difference between the  
13 ability to obtain financing here as opposed to under  
14 the Comprehensive Services Agreement? In other words,  
15 what brings the interest rate down?

16 A Well, I'd rather negotiate with the banks  
17 than negotiate with you now, because I don't want them  
18 reading this and then saying, Hey, that's a good idea,  
19 let's talk about Trump's Castle. You know, I really  
20 have a hard time negotiating with you right now as to  
21 what I am going to give the banks for putting up the  
22 money for Resorts, but I can do things that Resorts  
23 can't do.

24 I have big balances, as an example, I  
25 can put balances into banks, and banks look very

1 Trump - Cross by Vukceovich  
2 favorably upon that. I can put my cash into a bank  
3 and keep it into a bank and a bank would look very  
4 favorably of that. If I owned a hundred percent of  
5 the company, I would do that. If I owned nine percent  
6 of the company, you don't do that.

7 You know, I can give them security on  
8 part of their loan that would give them--you know, it  
9 would give them 100 percent certainty. With me they  
10 know that there is a certainty that they would get  
11 their interest. With somebody else they don't know  
12 that, and that's why I can do what I can do, and the  
13 beauty is that I don't have to go through a board of  
14 directors, I don't have to go their public  
15 stockholders, I don't have to go through all of the  
16 ramifications of what a lot of other companies and I  
17 guess every other company in this casino industry has  
18 to go through. You know, it takes a lot of people.

19 That's why when, you know, sometimes  
20 you act surprised that I made an offer all of a sudden  
21 to buy the company. It was a very quick decision, it  
22 was a very quick decision. Most people in my own  
23 company didn't even know I made it and it just  
24 happened all of a sudden.

25 If I were a public company, you know, I

1 Trump - Cross by Vukceovich

2 would have had to go through a board of directors,  
3 they would have had meetings, they would have had  
4 this, fly all over the country, we've got to meet in a  
5 secret place, two weeks later they have the meeting,  
6 then they decide, then they argue, then they fight.

7 You know, I just made a very quick  
8 decision to do this. This won't be the greatest deal  
9 I ever made. You know, I mean, I think you're looking  
10 at this as a great deal. This won't be the greatest  
11 deal, but I think it will be a good deal, I hope it's  
12 going to be a good deal, and I think Resorts will be a  
13 very strong company.

14 I think Resorts at this kind of  
15 financing rate, and when the Taj Mahal opens, and I  
16 think the Taj Mahal is going to be a tremendous--I  
17 hope it's going to be a tremendous investment for me.  
18 And if it's not, then it's not, but I think it will be  
19 tremendous for me, and I think it's going to be  
20 tremendous for Atlantic City. And if it's not, I  
21 shouldn't be doing the deal, and if it's not, Atlantic  
22 City shouldn't want to complete it.

23 Q Based upon your answer, would I be correct  
24 in that the negotiations that are currently taking  
25 place with these banks concerning the pricing,

1 Trump - Cross by Vukceovich

2 financing of Taj that you don't know exactly at this  
3 point what personal commitment, if any, or what it's  
4 going to take to secure that financing once the  
5 company goes private?

6 A As little as possible, I don't know what  
7 it's going to be, I don't know what it's going to be.  
8 I can tell you that it will be a great thing for  
9 Atlantic City and for New Jersey, if it happens. I  
10 don't know what it's going to be yet. I can only tell  
11 you that I have good response, and I have a response  
12 now where we're talking about these ridiculous figures  
13 of interest that we talked about the last time  
14 essentially.

15 But, you know, my big problem again is  
16 that tomorrow, when they pick up the newspapers, you  
17 know, it depends. You know, you could have blown me  
18 out of the water today with your questions. Tomorrow  
19 I pick up the New York Times, oh, look at that,  
20 counsel this, that, I don't know.

21 I can tell you that I have a very  
22 strong group that's very friendly to me, that's done  
23 business with me, they love the deal, they are happy  
24 with the deal. But, you know, these hearings are  
25 very--perhaps they are a necessary process, but it's a



1 Trump - Cross by Vukceovich  
2 very difficult process, I can tell you that.

3 Q In terms of the offer which has been made,  
4 the tender offer for the remaining Resorts shares,  
5 where what is the intended method of payment, do you  
6 intend to finance it or--

7 A Use my own money or finance it, or both  
8 combinations.

9 Q You have not determined that as of yet?

10 A I just said I will use my own money or  
11 finance it, or both.

12 Q The negotiations that you are presently  
13 involved in concerning the construction of the Taj  
14 Mahal, would that be for short-term finance or  
15 long-term, or would that achieve both?

16 A Moderate term. I think it's three years,  
17 with an option for two, and it would be in the form of  
18 construction loan. It would be construction loan  
19 against the Taj Mahal from a major bank primarily.

20 Q And can I assume that that would be, as was  
21 put forth in previous petitions before the Commission,  
22 for approximately \$550 million?

23 A The one big--the one big change will be the  
24 rate of interest. Under the last scenario, the cost  
25 of interest was tremendously higher than what I will

1 Trump - Cross by Vukceovich

2 be paying, so I think we are talking about \$475  
3 million construction loan, or thereabouts, and I don't  
4 know how that even figures into it.

5 And again, anything I need in addition  
6 to that or anything I save beyond that, you know, it's  
7 to my advantage, or disadvantage, and I will just put  
8 up the difference. But there is a big difference when  
9 you're paying 17, 18, 19 percent interest and  
10 borrowing all the money at one time, which is  
11 important, because, you know, under a bond--see, the  
12 bond issue--the other problem with a bond issue is  
13 that essentially there is no mechanism, and this is  
14 something we did find out after the hearings, to the  
15 extent that we found it out, there is no mechanism to  
16 borrow the money in little pieces.

17 When you go out and float a \$400  
18 million bond issue, you have to take the money then,  
19 so now you're sitting with \$400 million that's not  
20 going to be invested for a year in a building, so you  
21 will take 200, 250, but there is no way you can take  
22 three million one month and five million the next and  
23 seven million the next and only pay interest on that.

24 When you get a construction loan, which  
25 historically hasn't been able to be gotten in Atlantic

1 Trump - Cross by Vukceovich

2 City, you know, banks haven't been really lenders  
3 here, but when you get a construction loan, you take  
4 down whatever you need. So if we have a \$10 million  
5 cost for March, we take down \$10 million, that means  
6 we pay interest on \$10 million.

7 The other way we are paying interest at  
8 19 percent on \$400 million all at once, even though we  
9 are not even using the money, and then we are  
10 investing it in CDs at six percent or five percent, so  
11 we are losing 15 percent a month, or 15 percent a  
12 year, but we are losing all of that interest; there is  
13 no mechanism.

14 Whereas, this way you get a commitment  
15 to borrow \$475 million and you take it down as you  
16 need it and you're only paying interest on a small  
17 amount of money. At the completion of the job you  
18 will take down the whole amount. But, in the meantime  
19 you're only paying--so there is a huge difference in  
20 interest cost for the Taj Mahal. I mean, the Taj  
21 Mahal goes from this interest mammoth to having a very  
22 logical interest cost because I'm able to get a  
23 construction loan myself, and there is a big  
24 difference. So there is a big difference in the  
25 interest factor for Resorts versus for Trump.

1 Trump - Cross by Vukceovich

2 Q If you're successful in obtaining that  
3 financing, do you think it will be enough money to  
4 complete the Taj Mahal, I mean under the present  
5 agreement plan?

6 A If I didn't, I wouldn't be doing this deal,  
7 if I didn't. I think it will be plenty, and I think  
8 it will become completed and I think the Taj Mahal is  
9 really--is going to be very shortly in very good shape  
10 and I think we have made a lot of inroads.

11 Again, as I told you before, I think  
12 now we are really for the first time getting very good  
13 plans. I know how to build. If I know anything in  
14 life, it's how to build. I know how to get something  
15 completed and built and financed properly, and I think  
16 I have really--over the last--this last number of  
17 months hasn't been wasted. It's been I think very--I  
18 think it's been the most productive period.

19 In fact, I asked the people the other  
20 day do you want to start immediately, do you want to  
21 start--and they said no, this is great. These are the  
22 construction people who are telling me that this is  
23 great what's been happening the last two months, that  
24 they're catching with their plans and specs, for the  
25 first time they're able to get plans and specs,

1 Trump - Cross by Vukceovich

2 because they were building and they didn't know what  
3 the hell they were building.

4 Q Do you feel that the Management Agreement  
5 was given enough time to see whether or not it would  
6 work or should it have been postponed?

7 A Look, when I know that it's not going to  
8 work or not, it would be great. I don't have to wait  
9 around for two months or four months just to look  
10 better. I knew that if I bid three days after, and  
11 actually we could say three weeks after, because the  
12 hearings were like close to three weeks, but I knew  
13 that that wouldn't psychologically maybe be as nice as  
14 waiting two or three months and doing the same thing.

15 But why should I wait? I mean, all  
16 that's going to happen is it's going to end up costing  
17 more, the stock is just going to go lower, because  
18 that stock would have gone lower, and in the end even  
19 though the stock would have gone lower, it would have  
20 been a negative to me, because while I would have  
21 bought the stock for less, if I waited, knowing the  
22 negatives, the building would have cost much more than  
23 the value of the stock depreciation.

24 So why should I wait? I mean, I knew.  
25 Hey, I know psychology, and I knew that by bidding a

1 Trump - Cross by Vukceovich

2 couple of weeks after the hearings, or, as you say,  
3 three days after the Commission approves my management  
4 contract, hey, you know, I knew exactly that you would  
5 be asking me the same question. In fact, I said it to  
6 somebody. I said the only thing is if we do this now,  
7 it doesn't maybe look that good, and Commissioner  
8 Armstrong, I guarantee you, will say, Mr. Trump, why  
9 did you bid three days after. You know, I fully  
10 expect her to ask me that question. She's a big fan  
11 of mine. But, you know, I just felt that--I felt I  
12 had an obligation to do it.

13 Q One of the things I'm going to be asking you  
14 about next is the agreement plan of merger and some of  
15 the conditions that are within it. But before I do  
16 that, I want to ask you a general question.

17 Assuming that the merger agreement is  
18 approved by all necessary parties and does become  
19 effective and the company does, in fact, go private,  
20 is there anything that--is there anything that can go  
21 wrong, that you're aware of, in terms of building the  
22 Taj, assuming you get the financing?

23 A Can go wrong? Yes. We can have a  
24 depression, the world could collapse, we could have  
25 World War Three. I mean, a lot things can go wrong.

1 Trump - Cross by Vukceovich

2 I don't think they will.

3 I think that--I think this is a very  
4 strong--I hope this gets written in the newspapers, I  
5 don't think it will, that's not what people write  
6 about, but I think this will be a very strong company,  
7 and I look forward to it, and I think that things  
8 won't go wrong.

9 I believe that--you know, I think that  
10 it will go, but there are always things that can go  
11 wrong, a lot of things can go wrong.

12 Q Are you aware of anything that is likely to  
13 go wrong at this point in time?

14 A If I were, I would tell you. You could have  
15 another October 19th. Hey, I could make this deal  
16 hopefully get approved here, buy the stock, and then  
17 two days after buying the stock, I could have--you  
18 could have another October 19th, call it March 4th,  
19 and no financing. The banks that are dying to loan  
20 money, or anxious to loan money and willing to loan  
21 money at this point, they could say, Oh, my God, we  
22 can't finance anybody at anytime, you have to pull up  
23 your horns. I mean, you know, that stuff happens.

24 That's what happened here with the  
25 company, and that's a real possibility. I think

1 Trump - Cross by Vukceovich

2 that's probably perhaps the biggest, you know, you  
3 have another catastrophe and all of a sudden banks  
4 wanting to put up money for something, and not only  
5 for this deal, I'm not only talking specifically about  
6 this deal, because this is a good deal with good  
7 assets; I'm talking about for all deals.

8 The banks that are willing to put up  
9 money are no longer willing to put money into the  
10 market. You could have bank collapses, you could have  
11 a lot of things go wrong. This is a risky deal. This  
12 is like every other deal, there is risk in every deal,  
13 but, obviously, you can't predict the future.

14 Q I'd like to show you now A-2, which is the  
15 Agreement and Plan of Merger.

16 I assume that you have reviewed this  
17 annex before; is that correct?

18 A Yes.

19 Q Am I correct that basically you negotiated  
20 for the conditions that are set forth in this annex?  
21 Is that an accurate statement?

22 A Pretty much, I, you know, along with a lot  
23 of people, and this was negotiated with the  
24 independent directors and their consultants and their  
25 lawyers.



1 Trump - Cross by Vukceovich

2 Q Referring you to the first paragraph of  
3 Annex I, and looking at the sentence marked capital  
4 (B), and that relates to that one of the conditions is  
5 "that the Atlantic City Housing Authority has  
6 delivered to the Company an estoppel certificate or  
7 clarifications, amendments, reaffirmations or other  
8 documentation, in form and substance reasonably  
9 satisfactory to Mr. Trump, indicating that the Company  
10 is not in default under its agreement with the Housing  
11 Authority and providing for an extension of the  
12 completion date for the construction of the Taj Mahal  
13 to August 3, 1989," and then it reads "(subject to the  
14 further extension thereof by reason of applicable  
15 grace periods and force majeure, as provided for in  
16 the relative agreement)," and one of the things I  
17 notice in there is that that condition is subject to  
18 your being reasonably satisfied.

19 What exactly is it going to take for  
20 you to be reasonably satisfied? In other words, what  
21 is the point of that being in here? What are you  
22 looking for?

23 A Well, number one, you couldn't get financing  
24 if you can't get these things. Obviously, nobody is  
25 going to loan you money based on a termination date of

1 Trump - Cross by Vukceovich  
2 this coming August of the land agreement, you couldn't  
3 get financing, and there is a question as to the  
4 applicability of that particular thing.

5 As you know, Resorts has much of this  
6 building built on its own land, but there is a piece  
7 of land from the Housing Authority and, you know, what  
8 do you? Do you take the annex, the piece that's built  
9 on the Housing Authority?

10 You know, there's a whole question as  
11 to whether or not it's even practical, there is a  
12 question as to how much money do we get back, there's  
13 a whole lot of questions on that.

14 But, essentially, no bank, nor would I  
15 let any of my banks invest in a company unless we were  
16 given an estoppel certificate having to do with that.

17 In addition, the banks and I--you know,  
18 I'm not going to put myself, you know, totally  
19 isolated from this, I want to know what the problems  
20 are with respect to the housing, if any.

21 We have an agreement signed which is  
22 satisfactory to me, but there are rumblings that they  
23 are trying to have it terminated. Well, that's okay  
24 if they want to have it terminated, but I want to know  
25 it about it before I make the deal. If they want to

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2 terminate the agreement, that's fine. I have heard  
3 that they would like to make positive changes in the  
4 agreement, where they would like to have the housing  
5 be built in another location instead of that location,  
6 and we are amenable to talk about all of that stuff.  
7 But, in the meantime, for the sake of expediency, and  
8 we would love to talk to them about it, the housing  
9 doesn't have to be built on the boardwalk, it doesn't  
10 have to be.

11 I had heard that some of the folks in  
12 Atlantic City wanted to recommend that it be built  
13 more in the inlet, and, you know, I mean, there is a  
14 real question, there's 1200 units of housing. But, as  
15 you know, Resorts has essentially built or had built  
16 576 units toward that obligation. I thought  
17 psychologically it would look better if we just  
18 enhanced 1200 units, and we did. You know, it's not  
19 something that particularly bothers me.

20 There's a lot of--there's probably  
21 going to be negotiation on this item for a long time,  
22 and I'm willing to negotiate, but I have to know  
23 before I put the money into the company that, at a  
24 minimum or at a maximum, I would have what was agreed  
25 to previously. If I don't, obviously, I don't want to

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2 put the money into the company.

3 If the environmental--you know, the New  
4 Jersey Division of Coastal Resources, if they don't  
5 approve the CAFRA conditions and if we don't get--I  
6 mean, for instance, somebody came to us the other day  
7 and they said, We don't like the color of the wall and  
8 we want the wall to be changed and we want this, I  
9 want to know about it now, I want to know about it  
10 now. I don't want to know about it--I get criticized  
11 because I put the stuff up front, but, you know, I  
12 think it's--I think I owe myself the obligation to put  
13 some of it; I know I owe the institutions.

14 One of the reasons the banks like me is  
15 that when I build, I don't have problems, I get it  
16 built, I get it done and everybody is happy and it  
17 turns out successfully.

18 I want to know about it now. I don't  
19 want to have a hearing in six months that there is--  
20 you know, that I said something, that there was an  
21 article in the Atlantic City Press saying that I said  
22 something. I want to know about it now.

23 If there are difficulties, I'd rather  
24 know about them today than I would in six months from  
25 now, and I have that obligation to my banks, because I

1 Trump - Cross by Vukceovich

2 don't want my banks to get hurt. My banks have never  
3 gotten hurt, and that's why they deal with me, that's  
4 why they will put up money for me, whereas they won't  
5 put up money for anybody else in Atlantic City. I  
6 just want to know about it now.

7 You know, I read an editorial where the  
8 Atlantic City Press said read his book, this and that,  
9 and this, figure him out.

10 Well, what's to figure out? I just  
11 want to know in advance what I'm supposed to do, and  
12 then when I make the deal I can build, I can focus on  
13 contractors and subcontractors, because they're the  
14 toughest people in the world to do business with,  
15 anyway, and I don't have to have all of these  
16 extraneous issues around.

17 We made a deal with the Housing  
18 Authority, which I don't even think is a good deal, if  
19 you want to know the truth, I think it's a lousy deal,  
20 but we made a deal with the Housing Authority, and I  
21 want to know--if that deal is there, I want to know  
22 it's there, and if it's not there, I want to know it's  
23 not there.

24 I want to know what CAFRA is going to  
25 want. If CAFRA is going to come back and say we want

1 Trump - Cross by Vukceovich  
2 you to build, to clean up the entire city of Atlantic  
3 City and we want you to spend five million dollars  
4 more on this and four million dollars on that, then I  
5 want to have the option of getting out of the deal. I  
6 want to know what CAFRA wants, because they have some  
7 very good people at CAFRA, and I can tell you that,  
8 but they are also very difficult.

9 CHAIRMAN READ: Mr. Trump, the question  
10 went to the Housing Authority. It never mentioned  
11 CAFRA. Can we stay with the question.

12 THE WITNESS: Sorry.

13 Q I understand your references to the  
14 agreement with the Housing Authority.

15 What exactly in terms of this merger do  
16 you view as the key components of the agreement? What  
17 do you want from that agreement?

18 A With the housing authority?

19 Q Yes.

20 A I need an estoppel certificate in order to  
21 get financing that the land won't be taken away in a  
22 period of six months.

23 And, by the way, I think, you know, if  
24 I start this, I could have it completed enough of  
25 the--I could have the building, you know, that sits on

1 Trump - Cross by Vukceovich  
2 that piece of land substantially completed so that  
3 that clause wouldn't come into effect, anyway. But I  
4 don't want that. I want an estoppel certificate, and  
5 the banks are going to want that. They are not going  
6 to rely on the fact that I'm going to be able to  
7 complete the building three and a half days prior to  
8 the deadline because I'm a good builder. So, the  
9 banks want that, I want that.

10 The other element is that we have to  
11 know that if we don't build the units, and it's  
12 really--the real number of units is 600 and some odd  
13 units, because a lot of units have already been built,  
14 because if we don't build the units, whether it's 1200  
15 or 600, we have to know that. You know, we will give  
16 back the land. I have an absolute obligation to give  
17 back that piece of land if we don't build those units,  
18 but I don't have an obligation to build the units, and  
19 I have to know that, because that's another cost of  
20 financing.

21 If somebody is going to tell me from  
22 the Housing Authority that you have to build these  
23 units and that we're not going to get the subsidy from  
24 my other hotels, including Resorts, which is one of  
25 the advantages again of having it together, because

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2 now I have another massive housing subsidy between the  
3 three hotels, I have a massive housing subsidy which I  
4 can use on that land or some other land, but I can  
5 use.

6 But if somebody is going to say that I  
7 have to do it, then I'm going to have to say, Well,  
8 that's going to increase the cost of the Taj Mahal  
9 even further, and I want to know about now. I don't  
10 want to fight about it in three months or four  
11 months. I want to know about it now, that's all it  
12 says.

13 CHAIRMAN READ: Mr. Vukcevich, I hate  
14 to break in here, but it's 12:30, we have been going  
15 for quite a while, and for the reporter I wonder if we  
16 might take a short break.

17 MR. VUKCEVICH: Yes.

18 (A short recess was taken.)

19 CHAIRMAN READ: Come back to order.

20 Mr. Vukcevich.

21 MR. VUKCEVICH: Thank you.

22 BY MR. VUKCEVICH:

23 Q Mr. Trump, to get back to that paragraph  
24 (B), is your understanding--in the event that Resorts  
25 does take down that 30 or so acres, is it your



1 Trump - Cross by Vukceovich

2 understanding that Resorts would be obligated to build  
3 1200 units or 1200 units less the approximate 550 or  
4 576 units that are there now?

5 A Well, again I have to rely on the people.  
6 My understanding is that they would have an absolute  
7 obligation--if they take down the land, that they have  
8 an absolute obligation to build the units.

9 I believe, I cannot tell you with  
10 certainty, because I haven't reviewed it myself, there  
11 are a number of units, I think 576 units already on  
12 the land, and I believe the agreement says that the  
13 land will have 1200 units.

14 If there are 576 units on the land, I  
15 have been told the difference is the number of units  
16 they have to build. I would really have to ask for a  
17 legal interpretation of that. I don't know, I just  
18 don't know. I mean, I have been told that it's the  
19 difference between 576 and 1200, and I would be, you  
20 know--I'd have to ask for an interpretation, because  
21 there are that many units on the land.

22 Q Who told you that it might be 1200 less 576?

23 A I think it was Joel Sterns.

24 Q In the discussions with the Housing  
25 Authority, did you become aware of what their position

1 Trump - Cross by Vukceovich

2 is? In other words--

3 A I wasn't involved with the Housing  
4 Authority. I really have not been involved, I don't  
5 believe at all, with the Housing Authority.

6 Q In the event the Housing Authority were to  
7 come back and say that our interpretation is that if  
8 you take down the land, you have to build 1200 units  
9 and not 500--you know, 1200 less 576, in view of the  
10 fact that your project under TURA called for 1200  
11 units, can I assume that if the Housing Authority does  
12 say it requires 1200 units, you would go along with  
13 that? In other words, it wouldn't be a deal breaker?

14 A I might go along with the 1200 units. I  
15 think it's important to get the subsidy, because I  
16 don't think there's any market for the other units. I  
17 think it's important to get the subsidy. But we came  
18 out--we knew this. Obviously, you don't have to be a  
19 rocket scientist to read the document. The document,  
20 I believe, and maybe I'm wrong, but the document I  
21 believe would say--would indicate that there's 600  
22 some odd units left, we knew that. We proposed 1200  
23 units because we thought it would be appropriate. We  
24 thought it fit the site and we thought it fit other  
25 things. If that condition--and we were willing to

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2 live with it, as long as we understand and everybody  
3 understands that, number one, we have to have an  
4 estoppel to finance and we have to know what our  
5 obligations are, and if those obligations are too  
6 much, we are going to drop the land and not build the  
7 houses. We will invest in the bonds, obviously, and  
8 everything, but we are going to drop the land and not  
9 build the houses, we have to know that, and,  
10 obviously, we can't add more on to the cost of the Taj  
11 Mahal. We want to know it up front.

12 Q At this point in time do you have any  
13 conclusion or any idea as to whether or not 1200 units  
14 would be too much?

15 A Well, I mean, you know, you look at Atlantic  
16 City and there is--look, I haven't done a market  
17 study, but it looks to me like there is tremendous  
18 difficulty that the other places are having.

19 I heard Bally has a problem with  
20 renting or selling, or whatever they're doing with  
21 their units, and there's a lot of units coming on, and  
22 I would say that there seems to be a lot of units  
23 being built. There doesn't seem to be a market at  
24 this moment. Now, maybe that changes. There doesn't  
25 seem to be a market.

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2 There are people that have said that  
3 maybe other things should be built, and if the housing  
4 shouldn't be built on the island--I mean, I've seen so  
5 many different scenarios.

6 If you went down to Disney World and  
7 told the people at Disney that you're going to build  
8 low housing income right alongside the casinos, they  
9 would laugh at you. Now, I'm using a very successful  
10 place as an example, but they would laugh at you, they  
11 would say you have to be kidding if you told them that  
12 you were going to build low income housing away from  
13 the amusements and away from the rides where, frankly,  
14 the people can live a lot better because they don't  
15 have the cars, they don't have the traffic, they don't  
16 have the casino people, you know, they would perhaps  
17 find that different.

18 I mean, there is not--it seems that  
19 there is not much of a market right now for the  
20 housing, and, I don't know, you have a real question  
21 as to do you build 1200 units of housing, or whatever,  
22 in a market when other companies that have built it  
23 are not able to sell it because the people don't want  
24 to live there, they want to live off the island,  
25 because it's a better environment to live off the

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2 island, perhaps, or whatever.

3 So, there is a whole big question, and  
4 I think that question is going to be studied over the  
5 coming months. But, in the meantime, I have to at  
6 least know where I stand.

7 We had an agreement. I told you before  
8 I think it's a lousy agreement from our standpoint, I  
9 really do, I think it's not a good agreement, but we  
10 have an agreement and at least I have to know if that  
11 agreement is in effect or not.

12 Now, we are willing to then negotiate  
13 that agreement and see what we can come up with in  
14 terms of moving the housing maybe into the inlet or  
15 moving the housing someplace where the city would like  
16 it moreso than on the boardwalk itself, and maybe that  
17 makes a lot of sense, and we are totally amenable to  
18 it, but I at least have to know now on a minimum what  
19 we have.

20 Do you understand?

21 Q Yes.

22 Does the agreement that you speak of  
23 indicate the total number of units that would be  
24 required to be built or is that rendered moot as a  
25 result of TURA's petition, which indicates 1200 units?

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2 A No, I think we agreed to 1200 units, and in  
3 that I think it says 200 units. I don't know if it  
4 says 1200 or less the 576, because I wasn't involved  
5 in that. But if there is a market and if there is a  
6 site, you know, I mean, we are willing to do what we  
7 have to do.

8 It seems that at this moment you asked  
9 me a question of building. It seems at this moment  
10 there certainly isn't a market there, based on the  
11 experiences of other developments that have been  
12 built.

13 Q I understand what you're saying concerning a  
14 market. The question that I would really like an  
15 answer to, if you know it at this time, is: Let's  
16 assume hypothetically that the Housing Authority says  
17 if you take down that land that you, Resorts, must  
18 build 1200 units on that property, would that--if  
19 Resorts were to do that, assuming that hypothetical,  
20 would that adversely affect the building and financing  
21 of the Taj?

22 A No, because if it was impractical to do, I  
23 wouldn't take down the land, but I have to know that  
24 now. I mean, you could say build 5,000 units on it,  
25 it wouldn't have any effect because I wouldn't take

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2 down the land if it was impractical.

3 In other words, if I'm made to build  
4 1200 units, if I take down the land, and if I know  
5 that those 1200 units won't be able to be sold or  
6 rented, then I'm just not going to take down the  
7 land. But I just have to--you know, I want it to be  
8 known up front. I don't want this to come back and  
9 hit me and, you know, I just want it to be known. If  
10 there is a market, I don't mind doing the building,  
11 but I think to build units if there is no market  
12 doesn't make sense for anybody, including the city,  
13 and I wouldn't take--based on what you're saying, and  
14 assuming there was no market, I wouldn't be taking  
15 down the land.

16 Q From that answer, can I draw the conclusion  
17 that as to the taking down of the land that you  
18 consider that to be an option as opposed to a  
19 commitment or an obligation?

20 A I think it's absolutely an option. If it's  
21 not an option, then--I mean, I think it's understood  
22 to be an option, it better be understood to be an  
23 option, because otherwise we're not interested,  
24 believe me. I mean, if I have a build an addition to  
25 the Taj, if I have to build 1200 or 600, or whatever

1 Trump - Cross by Vukceovich

2 number it is, units in addition to the Taj Mahal, no,  
3 it's an obligation. It's an obligation if we take  
4 down the land.

5 Q Referring to paragraph (C) of that same  
6 exhibit, Annex I, what exactly do you need from CAFRA,  
7 what would satisfy you?

8 A Well, we need the approval of what we are  
9 building, essentially.

10 Q Would that be approvals concerning the Taj?

11 A Yes, sure, and the piers and everything, we  
12 need approvals on what is being done. I mean, I don't  
13 want CAFRA to come and say--I don't want CAFRA to say  
14 we want \$10 million worth of trees here, we want \$10  
15 million worth of this or that. I think it's fine if  
16 if they want to do that. I am not going to do it,  
17 because this company is building what might be  
18 considered the most expensive building in the world,  
19 it's enough already, it's enough, and it's going to be  
20 incredible. I don't want somebody saying add this or  
21 add that. It's never happened before, and I don't  
22 know why it should be happening here.

23 Q Well, to be a little more succinct, is what  
24 you're seeking from CAFRA through this condition, is  
25 that directly related to the construction of the Taj



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2 Mahal or are you also seeking something from CAFRA  
3 which is unrelated to that specific project?

4 A Well, you know, when I look at the Taj  
5 Mahal, I'm also looking at the Million Dollar Pier,  
6 the Steel Pier, I'm looking at the surrounding  
7 environs of--we are looking at the parking, we want  
8 the approvals for the parking, we want the approvals  
9 for the job.

10 I mean, everything is related,  
11 everything within that radius is related to the Taj  
12 Mahal, including the piers, including the parking,  
13 even if it's not on the same block, it's related. I  
14 want to get the approvals from CAFRA. I don't want to  
15 be told a week before I open that unless I give CAFRA  
16 \$10 million and do this and do that, they're not going  
17 to give me my approvals. I want to know now.

18 Q Part (D) of that first paragraph, one of the  
19 conditions that the Casino Control Commission has  
20 issued to the company a Statement of Compliance with  
21 respect to the Taj Mahal.

22 If that's not completed within the 75  
23 days which has been allotted, would you consider that  
24 to be a deal buster?

25 A That particular one, maybe not. In

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2 actuality, from a legal standpoint, yes. But we have  
3 been working with the staff of the Casino Control  
4 Commission on a lot of things, and we have found them  
5 to be professional, we have found them to be fair. I  
6 can't say that in all instances with regard to  
7 Atlantic City, but we have found them to be  
8 professional and fair, and that would be--I mean, I  
9 think they see what we're building. I think what we  
10 are building far exceeds anything built in Atlantic  
11 City before, and I believe that they are going to be  
12 very happy with what they see.

13 Plus, I think they have--look, I'm  
14 speaking against myself now, but I think that they  
15 have a little more complex job in a true sense with  
16 respect to this because they have so many different  
17 areas to go through, the building, the individual  
18 elements of the building, and I'm sure my lawyers  
19 would be very upset with the answer I'm giving you,  
20 but (D) is the least important, because that's sort of  
21 an ongoing process that we work with the Commission on  
22 getting the elements of the casino and everything else  
23 finished and done.

24 I'd like to have it within the 75 days  
25 if I can, but I think that is something that we have

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2 worked on with them before and we understand the  
3 issues and I think it will work out.

4 Q The pages aren't numbered, so what I am  
5 referring to is the third page of Annex I, the last  
6 paragraph, basically the first sentence which says,  
7 "The foregoing conditions are for the sole benefit of  
8 Mr. Trump and maybe asserted by Mr. Trump or may be  
9 waived by Mr. Trump in whole or in part at any time  
10 and from time to time in his sole and absolute  
11 discretion."

12 Rather than go through each of the  
13 these conditions, there's numerous conditions, with  
14 you, I would just ask you at this point in time, are  
15 you aware of any factors which would affect any of  
16 these conditions negatively which could get in the way  
17 of the merger agreement going through at this point in  
18 time?

19 A Well, I mean, I could tell you CAFRA wants  
20 us, as an example, to take down the pier, the old  
21 pier, and, you know, I'm not going to do it. It's up  
22 there, it's an asset of the company. I'm going to  
23 make it--it looks like Beirut in the middle of bombing  
24 right now, but by the time I finish it, it will be a  
25 beautiful pier. It's where the helicopter lands. We

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2 want to create beautiful shopping.

3 In addition to which we have a tenant  
4 on there with about a 20-year lease, and the ripping  
5 of it down would be tremendously expensive and it  
6 would be negative to the company. What we have  
7 proposed is something that is going to be very  
8 beautiful, it's going to be shopping, it's going to be  
9 a heliport, which is important for the entire city,  
10 not just for Resorts. It's going to be a real fixing  
11 up the building, essentially a heliport terminal at  
12 the end of it.

13 Essentially, it's going to be a very  
14 beautiful pier when it's finished, and we are  
15 negotiating that with CAFRA right now, and I think it  
16 will work out, you know. But the ripping down of that  
17 asset would be prohibitive, it would be very  
18 expensive, and it would be non-income performing. The  
19 other way it's actually less expensive for us to build  
20 beautiful shopping and a heliport than it is for us to  
21 rip it down, and I think it's a good asset in the  
22 future and I think it could be very nice for Atlantic  
23 City.

24 So when you asked me if there are any  
25 ongoing things, I mean, that's one of the things that

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2 we are negotiating right now with CAFRA. For some  
3 reason, they want me to rip down the pier, and, you  
4 know, it's just something we don't want to do.

5 Q Are there any other factors other than the  
6 CAFRA pier problem?

7 Q Well, there are other CAFRA problems. If  
8 you want me to tell you, I will tell you. I don't  
9 know, there are other CAFRA problems.

10 Q Are there any other non-CAFRA problems that  
11 you're aware of now?

12 A Not that I know of.

13 Q Which are the other CAFRA problems? I would  
14 like to hear what the other CAFRA problems are.

15 A Well, I don't know. I told you, I don't  
16 know if this is the place to talk about CAFRA. I will  
17 do it if you think it's appropriate, but I'm trying to  
18 work out a resolution of years of problems that  
19 Resorts has had with CAFRA, and I think for me to air  
20 out every one of these problems now is a very negative  
21 thing in terms of negotiation.

22 MR. RIBIS: Mr. Chairman, just for the  
23 record, I'd like to interpose an objection only  
24 because there are sensitive discussions and  
25 negotiations with CAFRA. Maybe as we meet, tomorrow

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2 Mr. Sterns' partner will be meeting with them again,  
3 and there are ongoing matters which are being  
4 discussed, and I don't know that Mr. Trump--he  
5 certainly knows generally about them, and I think at  
6 this time I don't think it's appropriate to get into  
7 that discussion, I don't think.

8 CHAIRMAN READ: I understand your  
9 problem. I think it's a proper question.

10 Mr. Vukceovich, under the present  
11 situation, do you want to press it?

12 MR. VUKCEVICH: I think it's very  
13 important that we realize that the Commission and the  
14 Division realize exactly what are the potential  
15 problems that could arise between now and the time of  
16 the approval of the merger, so I would like to ask  
17 that Mr. Trump answer that question.

18 CHAIRMAN READ: Maybe, Mr. Trump, you  
19 could start in general terms, and if that doesn't  
20 satisfy and you have to get more specific, we will try  
21 it that way.

22 THE WITNESS: Okay, wir.

23 A There are a number of items with CAFRA,  
24 there are a number of problems. Again, these problems  
25 are problems that Resorts had long prior to my getting

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2 involved, that were just unresolved problems. There  
3 were so many balloons up in this company, I have never  
4 seen anything like it. I'm trying to get--

5 MR. RIBIS: Just for the record, and we  
6 have one copy now, it is a letter which Mr. Weinroth  
7 hand-delivered to CAFRA on February 1st, it's a 14-  
8 page letter which lists the various areas that were  
9 then being discussed. Only in fairness to Mr. Trump,  
10 I think there were a number of items that he probably,  
11 other than in passing, is not aware of, and Mr.  
12 Weinroth obviously would like Mr. Trump to at least  
13 have this to refresh his recollection.

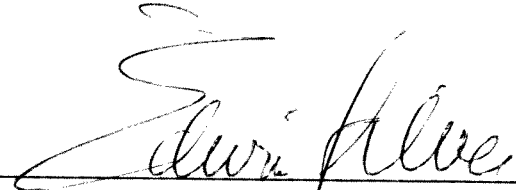
14 CHAIRMAN READ: Why don't we do this:  
15 It's five minutes after one. We will take a luncheon  
16 recess, and I would suggest, Mr. Ribis, that perhaps  
17 the answer is you might review the materials with Mr.  
18 Vukceovich and see whether that will satisfy his  
19 interest at this stage, or, if it doesn't, maybe then  
20 review it with your client and see how we handle it  
21 right after lunch. We will be back at two o'clock.

22 (A luncheon recess was taken.)  
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C E R T I F I C A T E

I, EDWIN SILVER (Certificate No. 379), Certified Shorthand Reporter and Notary Public of the State of New Jersey, do hereby certify the foregoing to be a true and accurate transcript of my original stenographic notes taken at the time and place hereinbefore set forth.

  
EDWIN SILVER, CSR

Dated: February 9, 1988